

Official Statement Dated June 19, 2001

NEW ISSUE - Book Entry Only

Moody's Rating: MIG-1
Standard & Poor's Rating: SP-1+
Fitch IBCA Rating: F1+
(See "Ratings" herein)

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.



\$250,000,000
STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2001

Dated: Date of Delivery

Due: June 28, 2002

Interest Rate	3.75%
Priced to Yield	2.60%

The Notes initially will be issued in registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will be dated the date of delivery, and will not be subject to redemption prior to maturity. Principal and interest will be payable when due to DTC or its nominee by U.S. Bank National Association, Salt Lake City, Utah, as Escrow/Paying Agent as described under "Description of the Notes--Book-Entry Only System."

Principal thereof and interest on the Notes are payable from the appropriation of General Tax Revenues (as defined herein) collected by the State during the fourth quarter of the 2002 fiscal year, sufficient to pay principal thereof and interest thereon as the same become due. In addition, the Notes are secured by the faith and credit of the State of Idaho.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of validity and legality by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel, and to certain other conditions. The Notes will be available for delivery to DTC in New York, New York, on or about July 2, 2001.

BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
WELLS FARGO BROKERAGE SERVICES LLC
ZIONS FIRST NATIONAL BANK

STATE OFFICIALS

**The Honorable Ron G. Crane
STATE TREASURER**

The Honorable Dirk Kempthorne
The Honorable Jack Riggs
The Honorable Pete T. Cenarrusa
The Honorable J.D. Williams
The Honorable Alan G. Lance
The Honorable Marilyn Howard

Governor
Lieutenant Governor
Secretary of State
State Controller
Attorney General
Superintendent of Public Instruction

FINANCIAL ADVISOR

MCDONALD INVESTMENTS INC.
A KEYCORP COMPANY

BOND COUNSEL

MOORE SMITH BUXTON & TURCKE, CHARTERED

UNDERWRITERS

BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
WELLS FARGO BROKERAGE SERVICES LLC
ZIONS FIRST NATIONAL BANK

ESCROW/PAYING AGENT

U.S. BANK NATIONAL ASSOCIATION

RON G. CRANE
STATE TREASURER



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**STATE OF IDAHO
OFFICE OF THE STATE TREASURER**

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Dear Investor:

Charles Dickens wrote in his famous book "A Tale of Two Cities," "it is the best of times and it is the worst of times." Of course, he was describing eighteenth century England. But, he could have been describing Idaho in 2001.

On the bright side, Idaho has just finished one of the most incredible years financially in its' 111 year history. A \$330 million dollar surplus is unprecedented.

The Federal Reserve Bank of San Francisco ranks Idaho fourth in the nation for job growth. And we are projected to outpace the nation's rate of employment growth in each of the next four years.

For the first nine months of this past year, the value of Idaho's exports was more than \$2.6 billion dollars – a 56% increase over the same period a year earlier. A report from Dun & Bradstreet credits us with having the second highest rate of increase in new business starts in the nation. In fact, Forbes Magazine ranks Boise as having the fifth highest regional economy in the U.S.

But, we have a number of challenges, as well. In five of the 44 counties the unemployment rate has crept up to double digits. Two more timber mills have recently announced closures throwing hundreds out of work. Another silver mine in the northern part of the state has closed and Micron Electronics, a local manufacturer of PC's, has announced a layoff of 430, while its' subsidiary, MCMS, announced a layoff of 225.

Idaho's agriculture community continues to suffer through tough times due to low commodity prices. Potato prices are down substantially. Sugar beet growers encountered a tough past year. And the dairy producers endured through one of the worst years in memory with prices \$1-2 dollars below break-even standards. In addition to the poor commodity prices, water storage is well below normal which is cause for concern as we approach the current growing season. Idaho Power, our largest investor owned utility, has requested a 24% rate increase. This will be difficult for farming and small business communities.

In spite of these challenges, the Idaho Legislature granted one of the largest tax decreases in history, significantly increased funding for higher education and public schools, funded a rural economic development package critical to outlying communities which are hurting, and provided monies for the Capitol Building restoration project.

We will continue to face our problems with optimism and confidence, knowing full well that the strength of our great state lies in the wonderful people that live here.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron G. Crane".

Ron G. Crane
State Treasurer

Celebrate
IDAHO
1890 • CENTENNIAL • 1990

No person has been authorized by the State of Idaho to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Idaho since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND THE OFFERING OF THE STATE OF IDAHO TAX ANTICIPATION NOTES, SERIES 2001, REFERRED TO HEREIN TO POTENTIAL PURCHASERS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$250,000,000. The Notes will be dated the date of delivery (which is anticipated to be approximately July 2, 2001), mature on June 28, 2002, and are not subject to redemption prior to maturity. It is anticipated that the Notes will be issued in book-entry-only form, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry-only form in the denomination of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Notes. The beneficial ownership of interests in the Notes is expected to be shown on, and the transfer of such ownership is expected to be effected through, records maintained by DTC and the Participants and Indirect Participants which are related to entries on the book-entry-only system of DTC. If the book-entry-only system is discontinued, the Notes will be issued to the purchasers thereof in the form of bearer certificates.

Purpose of the Notes

The Notes are being issued to fund the State of Idaho's anticipated cash flow shortfalls during the fiscal year commencing July 1, 2001, and ending on June 30, 2002 (the "2002 fiscal year"). Proceeds of the sale of the Notes will be deposited in the General Fund of the State and will be used to alleviate temporary cash flow shortfalls and to finance the State of Idaho's daily operations in anticipation of the receipt of certain tax revenues of the State to be collected during the fourth quarter of the 2002 fiscal year.

Authority for the Notes

The Notes will be issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho, and Chapter 32, Title 63, Idaho Code, and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 13, 2001, and a Plan of Financing approved by the Treasurer of the State of Idaho.

Security and Sources of Payment for the Notes

The Notes are secured by (i) an irrevocable pledge of the income and revenues from taxes, whether specific, ad valorem, excise, income, franchise, or license, to be received by the State during the fourth quarter of the 2002 fiscal year (the State estimates it will receive \$686,074,000 during the fourth quarter of the 2002 fiscal year); (ii) to the extent necessary, from other borrowable resources of the State (described in the Official Statement); and (iii) the solemn pledge of the faith and credit of the State.

Deposit of Pledged Monies for the Notes

A "Tax Anticipation Notes, Series 2001, Note Payment Account" (the "Note Payment Account") will be created in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, into which will be deposited as received the revenues described above until the monies therein and investment earnings earned or to be earned thereon shall be fully sufficient to pay the principal of and interest on the Notes at maturity. Any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes.

Tax Exemption

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.

OFFICIAL STATEMENT

\$250,000,000

STATE OF IDAHO

TAX ANTICIPATION NOTES, SERIES 2001

INTRODUCTION

This Official Statement of the State of Idaho (the "State") presents certain information in connection with the issuance of \$250,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2001 (the "Notes"). None of the references to or summaries of the laws of the State or of any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

THE NOTES

Description of the Notes

The Notes are being issued to fund the State's anticipated cash flow shortfalls during the fiscal year ending June 30, 2002 (the "2002 fiscal year"). The proceeds of the sale of the Notes will be deposited in the General Fund of the State (the "General Fund") and will be used to alleviate temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues (the "General Tax Revenues") of the State to be collected during the fourth quarter of the 2002 fiscal year ending June 30, 2002 (see "GENERAL TAX REVENUES"). General Tax Revenues consist primarily of Individual Income, Corporate Income Taxes, and Sales Tax. The Notes are payable from and secured by: (i) an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of the 2002 fiscal year as may be necessary to pay the principal of and interest on the Notes; (ii) the State Treasurer's covenant to transfer, if necessary, any monies available (the "Borrowable Cash Resources" described hereafter) to the Note Payment Account established for the payment of the Notes, in an amount required to fully pay the principal of and interest on the Notes at maturity; and (iii) the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.

The Notes will be dated the date of delivery, and will mature June 28, 2002. The Notes will bear interest at 3.750% per annum, payable at maturity, calculated on the basis of a 30-day month, 360-day year. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Notes. The ownership of not more than two fully registered global Notes for the entire aggregate principal amount of the Notes will be registered in the name of Cede & Co. as nominee of DTC. The Notes are not subject to redemption prior to maturity. Principal of and interest on the Notes will be payable at maturity by U.S. Bank National Association, Salt Lake City, Utah, Paying Agent, to DTC or its nominee in lawful money of the United States for distribution to the Participants, Indirect Participants and Beneficial Owners.

Book-Entry-Only System

The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be initially issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, two fully-registered Note certificates will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). The Rules applicable to DTC and its direct and indirect Participants are on file with the Securities and Exchange Commission.

Purchases of ownership interests in Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each interest in a Note ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or by such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to

Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State of Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to DTC (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The State may decide to discontinue use of the system book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

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Authorization

The Notes are being issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho (the "Constitution"), and Chapter 32, Title 63, of the Idaho Code (the "Act"), and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 13, 2001, and a Plan of Financing approved by the Treasurer of the State of Idaho.

The Act allows the State Treasurer, with approval of the State Board of Examiners, a constitutionally established board comprised of the Governor, the Secretary of State and the Attorney General, with the State Controller as ex officio Secretary (the "Board"), to borrow monies in anticipation of General Tax Revenues in a principal sum not to exceed 75% of the income or revenue from such taxes as the State reasonably anticipates to be collected during the fiscal year. The Board has approved, by written resolution, adopted on March 13, 2001, such borrowings during the 2002 fiscal year in an amount not to exceed \$1,424,182,500. General Tax Revenues anticipated to be collected during the 2002 fiscal year are expected to be not less than \$1,898,910,000, thereby imposing a limit of \$1,424,182,500 on such borrowings for the 2002 fiscal year.

Pursuant to the Act, all Notes issued by the State must mature not later than the end of the then current fiscal year. The State does not currently plan to issue additional External Notes during the 2002 fiscal year, but reserves the right to do so (see "Internal and External Notes").

The Plan of Financing (see "Appendix B"), adopted by the State Treasurer, calls for the issuance of \$250,000,000 Series 2001 Notes in anticipation of the income and revenues from taxes to be received during the fourth quarter of the 2002 fiscal year (April, May and June 2002). These monies may include specific, ad valorem, excise, income, franchise or license revenues. The State anticipates receiving a total of \$686,074,000 in the fourth quarter of the 2002 fiscal year. The \$250,000,000 in Notes to be issued is equal to 36.4% of anticipated 2001 fiscal year fourth quarter revenues and is within the 75% issuance test as set forth in the Act. Set forth in Table 1 is a description of the specific revenue and amounts that the State estimates will be received in the fourth quarter of the 2002 fiscal year (see "Security and Source of Payment"). The revenues anticipated for the 2002 fiscal year are shown on a monthly basis in Table 4 and on a quarterly basis in Table 5.

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Use of Proceeds

Timing differences between revenue collections and disbursements have caused the State to engage in interfund borrowing to fund General Fund expenditures (see "Internal and External Notes"). The State Treasurer has determined to issue the Notes to meet the anticipated cash flow requirements for the 2002 fiscal year resulting from the imbalance in timing between receipts and expenditures.

The State's major General Fund revenue sources include individual income tax, sales tax and corporate income tax. Together, these three categories comprise 93.77% of total General Fund revenues. General Fund revenues are received in relatively uneven amounts throughout the fiscal year because of various factors regarding the timing of individual income tax collections and refunds, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. As a result, the State anticipates that it will receive 42.38% of General Fund revenues in the first six months of the 2002 fiscal year. However, disbursements during the same period account for 57.38% of total expenditures.

The State's single largest item of expenditure is for public school aid which totals \$933.0 million, or approximately 44.87% of spending. The school aid payments are disbursed in eight payments, four of which occur in the first five months of the fiscal year for a total of \$535.6 million, or 57.41% of total school aid payments. These payments are made directly to the school districts and in the 2002 fiscal year are currently scheduled as follows:

	<u>Amount</u>
July 2001	\$34,991,000
August 2001	166,945,760
October 2001	166,695,760
November 2001	166,945,760
December 2001	31,750,000
February 2002	166,945,760
May 2002	166,945,760
<u>June 2002</u>	<u>31,750,000</u>
TOTAL	\$932,969,800

Health and Welfare expenditures, the second largest single expenditure item, totals \$358.0 million, or 17.22% of the budget. The third largest expenditure item is aid to higher education, for a total of \$298.5 million which is 14.36% of the total 2002 fiscal year budget (see Table 9 - General Fund Summary of the 2002 Fiscal Year Budget).

Proceeds received by the State from the sale of the Notes will be deposited in the General Fund and used to meet expenses required to be paid from the General Fund during the 2002 fiscal year.

The State has covenanted to comply with the provisions of the Internal Revenue Code of 1986 (the "Code") which are necessary for interest paid on the Notes to be excluded from gross income for purposes of federal income taxation. The State has projected that the cumulative cash flow deficit to be financed by the Notes will exceed 90% of the proceeds of the Notes within six months of the date of the Notes. In the event that the gross proceeds of the Notes are not expended (within the meaning of Section 148(f)(4)(B) of the Code) within six months of the date

of issuance of the Notes, the State will cause to be rebated to the United States an amount equal to the excess earnings on all non-purpose investments over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Notes, plus any income attributable to such excess.

Security and Sources of Payment

Each Note when duly issued and paid for will constitute a valid and binding obligation of the State of Idaho. The faith and credit of the State of Idaho are solemnly pledged for the payment of the Notes.

There is established in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, a special fund and account known as the "Tax Anticipation Notes, Series 2001, Note Payment Account" (the "Note Payment Account"). The Note Payment Account shall be held and invested at the direction of the State Treasurer by U.S. Bank National Association, Salt Lake City, Utah, as escrow agent (the "Escrow Agent"), pursuant to the provisions of an escrow agreement. Monies in the Note Payment Account will be invested in direct obligations of the Federal Government and in certain fully collateralized investments permitted under Section 67-1210, Idaho Code. The Treasurer has covenanted to invest all monies in the Note Payment Account in securities that mature no later than June 28, 2002. The Treasurer also has covenanted not to invest monies in the Note Payment Account in debt obligations of the State, its political subdivisions, or taxing districts or authorities.

In accordance with the Act, the Notes are payable from pledged fourth quarter tax revenues and, to the extent necessary, from other borrowable resources of the State. All income and revenues from the taxes collected during the fourth quarter of the 2002 fiscal year (April, May and June 2002) shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings earned or to be earned thereon shall be sufficient to pay principal of and interest on the Notes at maturity (see "Table 4 - State of Idaho Projected General Fund Cash Flow for the Fiscal Year Ending June 30, 2002" and "General Tax Revenues"). The State Treasurer may, but is not required to by the Plan of Financing, deposit any income and revenues from taxes received prior to the fourth quarter of the 2002 fiscal year into the Note Payment Account, and any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes. The State has projected the receipt of the following revenues to pay principal of and interest on the Notes:

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TABLE 1
Estimated Fourth Quarter Revenues By Source
For the Fiscal Year Ending June 30, 2002
(000's omitted)

Fourth Quarter Revenues

	APRIL	MAY	JUNE	TOTAL
Individual Income Tax	\$230,637	\$58,836	\$123,334	\$412,807
Corporate Income Tax	22,090	6,064	16,752	44,906
Sales Tax	57,408	56,364	61,096	174,868
Product Taxes	1,684	1,685	1,790	5,159
Miscellaneous Revenues	2,416	3,555	42,363	48,334
Non-Revenue Receipts	---	---	---	---
Total Tax Revenues	\$314,235	\$126,504	\$245,335	\$686,074

The State Treasurer has covenanted that, in the event there are not on deposit in the Note Payment Account on or before June 28, 2002, tax revenues, together with investment earnings thereon, fully sufficient to pay the principal of and interest on the Notes at maturity, then the State Treasurer will borrow from other funds under the control of the State Treasurer (see "Borrowable Cash Resources"), subject to the requirement that such amounts be repaid when General Fund monies are available or take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient to pay the principal of and interest on the Notes at maturity. The FY 2002 fourth quarter revenues of \$686.1 million provide 2.74 to 1 coverage for the Notes. Borrowable Cash Resources of \$1.379 billion provide 5.52 to 1 in additional coverage for the Notes.

Borrowable Cash Resources

The State Treasurer, pursuant to Section 67-1212, Idaho Code, is authorized to engage in short-term borrowings from cash balances in other funds in the State Treasury as identified in Table 7 to meet cash flow shortfalls in the General Fund, subject to the requirement that such amounts be repaid when General Fund monies are available. In the 2002 fiscal year, cash balances in the various funds maintained in the State Treasury are estimated to be \$1.379 billion at June 28, 2002. Set forth in Tables 6 and 7 are the actual internal cash borrowing resources available to the State Treasurer for the 1997-2001 (estimated for April, May and June, 2001) fiscal years and the estimated internal cash borrowing resources available for the 2002 fiscal year.

In prior years, the balance available at year-end in other funds controlled by the State Treasurer has been: estimated 2001 fiscal year \$1,369.9 million; 2000 fiscal year \$1,416.4 million; 1999 fiscal year \$1,466.8 million; 1998 fiscal year \$1,250.7 million; and 1997 fiscal year \$1,206.3 million.

Authorized Investments

State law and the Treasurer's Investment Policy require that Note proceeds be invested in direct obligations of the Federal Government, FDIC insured certificates of deposit from banks located in the State, collateralized repurchase agreements or other investment instruments as specified in Section 67-1210 of the Idaho Code.

The average maturity of the State's investment portfolio was 356 days at April 27, 2001.

Internal and External Notes

If the General Fund cash flow shortages exist for more than 30 days, the State Treasurer issues a tax anticipation note to correct the shortfall. The State Treasurer has issued internal tax anticipation notes which are notes issued by the General Fund to borrow monies from other available State funds or accounts, and which are subject to the requirement that such amounts be repaid when General Fund monies are available. In each Fiscal Year from 1995 through 1999 the State issued one or two Internal Notes. These Notes were outstanding for periods of 12-66 days. They were all repaid by June 30 of the respective years. The State has not issued any internal tax anticipation notes during the Fiscal Year 2000 and the State does not anticipate issuing any further Notes for the fiscal year. In the past ten fiscal years the State Treasurer has issued External Tax Anticipation Notes (the "External Notes") which were sold in the open market. Table 2 sets forth the External Notes issued by the State Treasurer for the past ten fiscal years.

**TABLE 2
STATE OF IDAHO
EXTERNAL NOTES
Fiscal Years 1991-2000**

FISCAL YEAR	EXTERNAL NOTES
1991	\$ 125,000,000
1992	160,000,000
1993	170,000,000
1994	180,000,000
1995	200,000,000
1996	220,000,000
1997	300,000,000
1998	300,000,000
1999	300,000,000
2000	200,000,000

Source: Idaho State Treasurer

General Fund Cash Flow

The tables set forth on the following pages present the actual to-date and projected cash flow of the General Fund for May and June of the 2001 fiscal year and the projected cash flow for the 2002 fiscal year by major categories of receipts and disbursements. The 2002 fiscal year cash flow table evidences that all proceeds of the Notes are expected to have been expended within six months of their receipt. The cash flow tables should be read in conjunction with other information concerning the 2002 fiscal year budget. Certain assumptions regarding the 2002 fiscal year cash flow statements are set forth below and on the page following Table 4 (see "Assumptions Underlying The Monthly Allocation of 2002 Fiscal Year General Fund Disbursements").

Series 2000 Notes

The State issued \$200 million in Tax Anticipation Notes, Series 2000 (the "2000 Notes"), on July 3, 2000, which mature on June 29, 2001.

The 2000 Notes were issued in anticipation of the income and revenues and taxes to be received by the General Fund during the fourth quarter of the 2001 fiscal year. In accordance with the Act, all income and revenues from the taxes collected during the fourth quarter of the 2001 fiscal year shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings shall be sufficient to pay principal and interest on the Notes at maturity.

Sufficient monies to redeem the Series 2000 Notes with full payment of interest at maturity have been deposited into the Note Payment Account held by the Escrow Agent. The State Treasurer deposited into the Note Payment Account by April 19, 2001, a total of \$210,630,556. These monies will be transferred to the paying agent on June 29, 2001, for payment of the Series 2000 Notes.

Fiscal Year 2002 Cash Flow Deficit

The 2002 fiscal year General Fund cash flow (before borrowing) is estimated to have a negative balance at the end of the months of October through March and May with the November month end cash deficit estimated to be \$200,893,000. (See Table 4 -"General Fund Cash Flow.") However, each month's mid-month cash deficit is estimated to be greater than the end-of-the-month deficit balance. This situation occurs because only approximately 20% of the month's revenues are received during the first two weeks while, on average, 80% of the month's expenditures occur during the same period. The majority of taxes are received during the second half of the month because of statutorily established dates for tax payments. A primary factor in the heavy percentage of first half expenditures are the required dates for General Fund transfers to the public schools. The mid-month deficit projected for November for the 2002 fiscal year is \$268,000,000 occurring on November 16, 2001.

TABLE 3
STATE OF IDAHO
YEAR TO DATE ACTUALS
FOR THE FISCAL YEAR ENDING JUNE 30, 2001
(\$000 OMITTED)

	ACTUAL JUL	ACTUAL AUG	ACTUAL SEPT	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	PROJ JUNE	YTD CUMULATIVE ACTUALS
BEG. CASH BAL. BEFORE BORROWING	197,676	163,850	43,374	72,139	(11,109)	(113,439)	(31,056)	74,606	(35,816)	5,370	222,216	121,623	197,676
RECEIPTS:													
Revenues:													
Individual Income Tax	61,314	56,547	57,442	63,711	60,446	75,802	106,139	56,174	61,546	242,035	55,160	127,883	1,024,200
Corporate Income Tax	4,537	3,519	15,029	5,504	2,570	49,114	8,815	3,643	7,067	21,699	4,109	44,394	170,000
Sales Tax	59,335	57,105	56,758	57,131	53,449	49,771	60,111	45,438	45,080	52,957	50,690	70,176	658,000
Product Taxes	1,837	1,810	1,943	1,648	1,776	1,684	1,628	1,510	1,700	1,741	1,570	1,805	20,650
Miscellaneous Revenues	9,068	3,539	13,941	29,048	7,910	16,458	3,232	4,561	8,908	2,768	4,831	22,695	126,960
TOTAL REVENUES	136,091	122,519	145,112	157,041	126,152	192,829	179,925	111,325	124,302	321,201	116,360	266,953	1,999,810
Non-Revenue Receipts	363	699	404	882	926	619	555	510	503	476	363	522	6,821
TAN - Interest (offset Int Exp)	87	-	586	1,132	667	402	2,367	831	701	2,123	604	1,132	10,631
TOTAL REVENUE/RECEIPTS	136,541	123,218	146,102	159,056	127,744	193,849	182,847	112,667	125,506	323,799	117,326	268,607	2,017,261
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	29,698	28,899	43,482	29,171	29,697	29,503	29,074	27,975	40,501	27,193	22,447	30,153	367,792
Operating Costs	13,004	12,070	13,219	12,989	9,776	7,893	9,479	6,974	6,717	8,000	9,296	7,686	117,104
Capital Outlay	4,496	1,162	5,175	611	1,842	1,633	1,879	774	688	575	1,120	1,459	21,414
Trustee & Benefit Payments	17,520	6,831	14,562	6,999	5,468	11,650	5,332	4,650	5,220	5,775	5,355	11,021	100,383
Op. Transfers - Pub Sch	26,005	157,242	-	156,992	157,242	30,750	-	157,242	-	-	157,242	30,750	873,465
Op. Transfers - All Others	79,399	36,864	40,492	34,864	24,864	29,416	30,719	25,153	30,591	54,561	22,040	101,014	509,976
TOTAL EXPENDITURES	170,121	243,067	116,930	241,625	228,890	110,846	76,482	222,767	83,718	96,105	217,500	182,083	1,990,134
Non-Operating disbursements	246	627	407	677	1,185	620	703	322	602	218	418	795	6,821
TAN - Interest Expense	0	0	0	0	0	0	0	0	0	10,631	0	0	10,631
TOTAL DISBURSEMENTS	170,368	243,694	117,337	242,303	230,074	111,466	77,185	223,089	84,320	106,953	217,919	182,878	2,007,585
END. CASH BAL. BEFORE BORROWING	163,850	43,374	72,139	(11,109)	(113,439)	(31,056)	74,606	(35,816)	5,370	222,216	121,623	207,352	207,352
BEG. AFTER-BORROWING BAL	197,676	363,850	243,374	272,139	188,891	86,561	168,944	245,270	95,629	97,371	222,216	121,623	197,676
BORROWING:													
Internal Notes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
(Repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-
External Notes:													
Receipt	200,000	-	-	-	-	-	-	-	-	-	-	-	200,000
(Repayment)	-	-	-	-	-	-	(29,336)	(39,219)	(39,444)	(92,001)	-	-	(200,000)
TOTAL NET BORROWING	200,000	-	-	-	-	-	(29,336)	(39,219)	(39,444)	(92,001)	-	-	0
NET RECEIPTS OVER (UNDER) DISB.	(33,827)	(120,476)	28,765	(83,247)	(102,330)	82,383	105,662	(110,422)	41,186	216,846	(100,592)	85,729	9,676
END. AFTER-BORROWING CASH BAL	363,850	243,374	272,139	188,891	86,561	168,944	245,270	95,629	97,371	222,216	121,623	207,352	207,352
*The mid-month deficit for the 2001 fiscal year was \$196,779,725 on November 16, 2000													

TABLE 4
STATE OF IDAHO
PROJECTED GENERAL FUND CASHFLOW
FOR THE FISCAL YEAR ENDING JUNE 30, 2002
(\$000 OMITTED)

	PROJECTED JUL	PROJECTED AUG	PROJECTED SEPT	PROJECTED OCT	PROJECTED NOV	PROJECTED DEC	PROJECTED JAN	PROJECTED FEB	PROJECTED MAR	PROJECTED APR	PROJECTED MAY	PROJECTED JUNE	PROJECTED TOTALS
BEG. CASH BAL. BEFORE BORROWING	207,352	164,462	13,728	56,401	(65,839)	(200,925)	(165,396)	(74,594)	(211,716)	(188,203)	39,721	(81,078)	207,352
RECEIPTS:													
Revenues:													
Individual Income Tax	56,317	57,898	56,895	61,285	56,614	77,696	106,485	57,172	65,682	230,637	58,836	123,334	1,008,851
Corporate Income Tax	4,712	4,048	13,335	6,429	2,528	18,015	5,375	4,712	6,665	22,090	6,064	16,752	110,725
Sales Tax	61,653	59,287	60,400	63,044	56,225	55,808	68,750	46,553	49,267	57,408	56,364	61,096	695,855
Product Taxes	1,800	1,795	1,876	1,700	1,697	1,690	1,634	1,512	1,572	1,684	1,685	1,790	20,435
Miscellaneous Revenues	7,191	3,016	11,298	2,798	2,795	10,467	2,848	4,720	6,490	2,416	3,555	42,363	99,957
TOTAL REVENUES	131,673	126,044	143,804	135,256	119,859	163,676	185,092	114,669	129,676	314,235	126,504	245,335	1,935,823
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE/RECEIPTS	131,673	126,044	143,804	135,256	119,859	163,676	185,092	114,669	129,676	314,235	126,504	245,335	1,935,823
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	36,034	51,364	35,991	35,526	35,416	36,056	34,503	35,778	50,274	37,371	31,657	31,199	451,169
Operating Costs	14,959	13,446	12,843	14,032	12,329	12,818	12,827	11,648	10,917	9,061	9,936	11,547	146,363
Capital Outlay	2,975	5,081	3,149	2,901	2,782	2,621	2,252	1,827	1,797	2,034	2,464	4,514	34,397
Trustee & Benefit Payments	17,267	8,218	11,498	7,076	6,207	8,637	6,644	4,327	5,390	6,580	5,927	4,323	92,094
Op. Transfers - Pub Sch	34,991	166,946	0	166,696	166,946	31,750	0	166,946	0	0	166,945	31,750	932,970
Op. Transfers - All Others	68,337	31,723	37,650	31,265	31,265	36,265	38,064	31,265	37,785	31,265	30,374	16,902	422,160
TOTAL EXPENDITURES	174,563	276,778	101,131	257,496	254,945	128,147	94,290	251,791	106,163	86,311	247,303	100,235	2,079,153
Non-Operating disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	174,563	276,778	101,131	257,496	254,945	128,147	94,290	251,791	106,163	86,311	247,303	100,235	2,079,153
END. CASH BAL. BEFORE BORROWING	164,462	13,728	56,401	(65,839)	(200,925)	(165,396)	(74,594)	(211,716)	(188,203)	39,721	(81,078)	64,022	64,022
BEG. AFTER-BORROWING BAL	207,352	414,462	263,728	306,401	184,161	49,075	84,604	175,406	38,284	61,797	137,721	(81,078)	207,352
BORROWING:													
Internal Notes													
Receipts													
(Repayment)													
External Notes:													
Receipt	250,000												250,000
(Repayment)										(152,000)	(98,000)		(250,000)
TOTAL NET BORROWING	250,000	0	0	0	0	0	0	0	0	(152,000)	(98,000)	0	0
NET RECEIPTS OVER (UNDER) DISB.	(42,890)	(150,734)	42,673	(122,240)	(135,086)	35,529	90,802	(137,122)	23,513	227,924	(120,799)	145,100	(143,330)
END. AFTER-BORROWING CASH BAL	414,462	263,728	306,401	184,161	49,075	84,604	175,406	38,284	61,797	137,721	(81,078)	64,022	64,022
*The projected mid-month deficit for the 2002 fiscal year is \$268,000,000 on November 16, 2001.													

ASSUMPTIONS UNDERLYING THE MONTHLY ALLOCATION OF 2001 FISCAL YEAR GENERAL FUND DISBURSEMENTS

The 2002 fiscal year General Fund disbursements as shown on Table 4 are classified as Personnel Costs, Operating Costs, Capital Outlay, Trustee & Benefit Payments, Operating Transfers - Public Schools and Operating Transfers - All Other. The total amount allocated to each classification was determined by consolidating all the 2002 fiscal year appropriations. Once the total classifications were determined, the monthly allocations were made in the following manner:

Personnel Costs

The total personnel cost appropriation was based on the average of the five previous fiscal years with those months with three paydays assigned to the month in which those pay dates fell.

Operating Costs, Capital Outlay, Trustee and Benefit Payments

These costs were allocated on the basis of the average of the five previous fiscal years' monthly expenditure pattern.

Operating Transfers - Public Schools

Public School aid payments were allocated to the months in which the payments are to be made per Idaho Code (see "Use of Proceeds").

Operating Transfers - All Other

The agencies receiving authority to transfer funds from the General Fund were consulted as to timing of transfers.

Interest Expense on Tax Anticipation Notes

Since the decision to issue or not to issue tax anticipation notes (TANs) is made subsequent to the legislative session, legislative revenue estimates do not include interest earnings on unused TAN proceeds, nor do expenditure estimates include the related interest expense. As indicated in Table 3, interest expense on the Series 2000 Notes was \$10,630,555. Interest expense on the Series 2001 Notes is estimated to be \$8,500,000. However, since the 2002 fiscal year legislative revenue estimate does not include a provision for interest earnings on the Notes, TAN interest revenues and expenses have been netted to zero on Table 4.

The estimates of amounts and timing for receipts and disbursements for the 2002 fiscal year cash flow statement are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

TABLE 5

STATE OF IDAHO
CASH FLOW SUMMARY BY QUARTER
For the Fiscal Year Ending June 30, 2002
(000s omitted)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
BEGINNING CASH BALANCE	\$ 207,352	\$306,401	\$84,604	\$61,797	\$ 207,352
REVENUES					
Individual Income Tax	\$171,110	\$195,595	\$229,339	\$412,807	\$1,008,851
Corporate Income Tax	22,095	26,972	16,752	44,906	110,725
Sales Tax	181,340	175,077	164,570	174,868	695,855
Product Taxes	5,471	5,087	4,718	5,159	20,435
Miscellaneous Revenues	21,505	16,060	14,058	48,334	99,957
TOTAL REVENUES	\$401,521	\$418,791	\$429,437	\$686,074	\$1,935,823
Non-revenue Receipts	0	0	0	0	0
TOTAL REVENUE/RECEIPTS	\$401,521	\$418,791	\$429,437	\$686,074	\$1,935,823
DISBURSEMENTS					
Expenditures:					
Personnel Costs	\$123,389	\$106,998	\$120,555	\$100,227	\$451,169
Operating Expense	41,248	39,179	35,392	30,544	146,363
Capital Outlay	11,205	8,304	5,876	9,012	34,397
Trustee & Benefit Payments	36,983	21,920	16,361	16,830	92,094
Operating Transfers-Pub Sch	201,937	365,392	166,946	198,695	932,970
Operating Transfers-All Other	137,710	98,795	107,114	78,541	422,160
TOTAL APPROPRIATED EXPENDITURES	\$552,472	\$640,588	\$452,244	\$433,849	\$2,079,153
Non-operating					
Disbursements	0	0	0	0	0
Net Interest Rev/Exp on TAN	0	0	0	0	0
TOTAL DISBURSEMENTS	\$552,472	\$640,588	\$452,244	\$433,849	\$2,079,153
TAX ANTICIPATION NOTES:					
Receipt	250,000				250,000
Repayment				(250,000)	(250,000)
ENDING CASH BALANCE	\$306,401	\$84,604	\$61,797	\$64,022	\$64,022

TABLE 6
STATE OF IDAHO
INTERNAL CASH BORROWING RESOURCES
FISCAL YEARS - 1997-2002
(\$000 OMITTED)

	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>
FY-1997 Actual	1,156,063	1,280,607	1,236,821	1,249,489	1,288,670	1,275,089	1,346,916	1,439,840	1,399,225	1,281,980	1,293,153	1,206,271
FY-1998 Actual	1,161,948	1,237,633	1,052,458	1,180,953	1,235,706	1,242,617	1,314,289	1,433,784	1,386,556	1,332,210	1,355,283	1,250,711
FY-1999 Actual	1,261,008	1,360,556	1,162,746	1,303,871	1,368,331	1,433,744	1,478,647	1,645,676	1,607,544	1,512,617	1,530,839	1,466,813
FY-2000 Actual	1,445,444	1,513,602	1,288,525	1,433,239	1,523,383	1,512,125	1,560,710	1,686,156	1,586,562	1,523,625	1,588,239	1,416,440
FY-2001 Actual	1,408,649	1,471,907	1,245,545	1,426,418	1,450,448	1,477,378	1,536,093	1,681,531	1,665,790	1,470,738	1,529,121	1,369,907
FY-2002 Estimated	1,411,651	1,454,642	1,218,662	1,426,809	1,452,495	1,494,630	1,550,489	1,702,709	1,679,935	1,484,773	1,541,461	1,378,939
NOTES:	1) April, May and June are estimated for 2001 2) Beginning with Fiscal year 1998, cash balances are reported using the Statewide Accounting Systems' cash balances without regard to outstanding warrants. This represents a more conservative reserve.											

TABLE 7
STATE OF IDAHO
ESTIMATED AVAILABLE CASH BORROWING RESOURCES
FISCAL YEAR 2002
(\$000 OMITTED)

	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUNE</u>
NON-INTEREST BEARING												
Lottery	3,323	2,325	1,887	3,151	682	4,859	3,094	5,522	5,599	4,984	9,484	14,484
Co-Op Welfare	15,066	19,768	24,726	30,132	34,886	27,895	27,705	27,940	18,989	18,181	13,024	2,891
Co-Op DEQ	3,592	1,629	2,524	2,681	3,754	3,823	3,558	3,455	3,298	3,298	3,298	3,298
Permanent Building	64,439	69,882	64,232	65,381	66,886	63,150	62,864	62,223	64,400	62,025	60,832	59,356
Tax Commission Refunds	14,246	23,373	37,612	50,981	52,024	76,031	100,427	88,993	64,667	83,833	76,298	1,500
Circuit Breaker/Sales Tax	10,921	21,486	32,176	14,201	24,275	26,485	10,367	19,132	27,840	14,233	24,312	26,974
Department of Lands	13,096	13,164	12,817	12,856	12,303	11,891	12,937	12,986	12,806	13,221	12,770	12,672
State Regulatory Agency Accts	31,597	28,847	25,748	25,863	26,988	26,779	27,729	28,373	30,655	31,487	34,717	35,064
Water Pollution Control	8,766	8,688	9,142	8,348	5,038	2,673	3,085	3,529	3,919	3,929	3,536	3,183
Endowments	19,569	20,569	19,871	19,688	15,477	14,472	7,765	7,232	8,009	8,251	11,413	3,356
Public school Income	13,750	13,856	349	749	991	1,227	1,271	1,433	1,528	1,528	1,604	1,684
All Other Non Interest Bearing Funds	122,555	120,555	107,897	119,740	108,617	133,406	120,538	117,590	111,074	115,536	118,611	117,652
TOTAL NON-INTEREST BEARING	320,921	344,143	338,980	353,772	351,922	392,692	381,339	378,410	352,786	360,507	369,901	282,115
INTEREST BEARING												
Unemployment Clearing	76,118	76,118	74,750	76,540	76,087	74,549	75,803	75,504	76,007	78,315	76,469	76,870
Group Insurance	42,041	43,787	39,715	46,902	49,208	49,043	50,424	50,084	45,197	38,627	43,785	44,171
State Highway Accounts	50,014	53,346	47,670	28,023	45,402	59,838	47,107	59,807	66,423	42,944	47,238	51,962
Budget Reserve	53,240	53,240	58,239	58,239	58,239	63,239	63,239	63,239	68,238	68,238	68,238	73,238
Risk Management	18,609	18,611	23,092	24,581	24,478	24,348	24,242	24,187	24,225	23,426	23,331	23,149
Idaho Millennium Fund	1,067	1,278	1,395	1,214	948	998	1,033	1,017	1,123	1,143	1,178	1,162
Public School Income	2,726	3,797	(152,538)	5,110	4,722	5,252	5,836	6,951	7,140	6,272	6,585	6,915
Land Improvement	10,725	26,242	48,248	58,925	51,140	57,091	60,642	63,601	64,231	60,642	63,601	64,231
Liquor Control	5,127	6,517	6,556	5,249	5,236	8,197	6,603	6,425	7,689	4,751	4,982	4,727
Petroleum Price	7,193	7,179	6,981	6,950	6,964	6,864	6,690	6,613	6,294	7,560	7,649	7,465
Interagency Billing Accounts	7,139	7,639	6,227	6,404	6,192	7,184	7,679	7,568	6,022	6,999	6,448	4,054
Joint Exercise of Powers	681,817	679,817	600,316	625,032	654,640	603,789	691,932	835,344	837,801	665,187	699,717	618,363
Catastrophic Health Care	12,358	12,372	11,133	10,127	8,703	8,139	7,383	6,370	5,685	4,627	3,725	2,864
All Other Interest Bearing funds	122,555	120,555	107,897	119,740	108,617	133,406	120,538	117,590	111,074	115,536	118,611	117,652
TOTAL INTEREST BEARING	1,090,730	1,110,499	879,681	1,073,036	1,100,573	1,101,938	1,169,151	1,324,299	1,327,149	1,124,266	1,171,560	1,096,824
TOTAL INTERNAL CASH BORROWING RESOURCES	1,411,651	1,454,642	1,218,662	1,426,809	1,452,495	1,494,630	1,550,489	1,702,709	1,679,935	1,484,773	1,541,461	1,378,939
NOTE: This table reports cash balances using the Statewide Accounting System. The one exception is Joint Exercise of Powers which is an investment balance.												

UNOBLIGATED CASH BALANCE

The General Fund unobligated cash balance for the past ten years is listed below. These figures represent the ending cash balance less encumbrances.

<u>Fiscal Year</u>	<u>Unobligated Cash Balance</u>
1992	\$ -0-
1993	10,880,000
1994	36,752,460
1995	2,925,985
1996	11,697,800
1997	13,346,000
1998	35,640,563
1999	46,555,079
2000	179,524,220
2001 (estimated)	192,852,200

Source: Legislative Auditor's General Fund Review for 1992-1993 fiscal years. Division of Financial Management 1994 - 2001 fiscal years.

STATE FINANCES

Statewide Accounting Policies and Practices

The Statewide Accounting and Reporting System (STARS) is an accounting, financial reporting and budgetary control system and is the accounting system of record for the State of Idaho. The State maintains records on a budgetary (cash) basis during the fiscal year and records adjustments for financial reporting purposes at fiscal year end. Starting with fiscal year 1996, the State has issued a comprehensive annual financial report in conformance with generally accepted accounting principles as defined by the Government Accounting Standards Board. Each of these reports has received an unqualified audit opinion from the State's auditors. The comprehensive annual financial reports in years 1997 through 1999 received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The certificate for the 2000 report is currently pending evaluation.

State Financial Administration

The State Controller is responsible for maintaining the uniform Statewide Accounting and Reporting System (STARS). This system records the budgetary and financial transactions of the State for the General Fund and all other funds maintained by the State Treasury.

The State Treasurer is responsible for the receiving and disbursement of all State monies, management of all bank accounts and investments of surplus cash. Some funds are invested separately and the remaining cash balances are combined for investment purposes. All interest earned is credited to the General Fund unless otherwise required by law.

The State Controller implemented a "Fixed Asset System" (FAS) statewide. FAS will provide data normally associated with a Fixed Asset accounting system, including asset cost, location, depreciation (where appropriate), etc.

Revenue Projection Process

Since 1993 (FY 1994), the Legislature has not produced its own revenue forecast. However, a joint legislative economic outlook committee meets at the beginning of the legislative session to review the executive revenue forecast and advise legislative leadership concerning the viability of that forecast. In each of the last four years the joint legislative economic outlook committee has endorsed the executive revenue forecast.

During the interim period between legislative sessions, monthly cash receipts are tracked. A revenue monitoring group composed of representatives of the State Treasurer, Legislative Services (two representatives, one from Legislative Audits and one from Legislative Budget and Policy Analysis), the State Controller, the State Tax Commission and the Division of Financial Management reviews actual receipts and projections on a monthly basis. Legislative leaders are kept informed of trends and prospects by the Legislative Budget and Policy Analysis Section.

The Legislature and Governor of the State have a constitutional responsibility for achieving a balanced budget. Therefore, revenue projection revisions in the interim period, between legislative sessions, may lead to reductions of spending authority.

Executive Revenue Forecasts

The Executive branch forecasts General Fund revenues for use in the development of the Executive Budget and for management of current year fiscal operations. Official Executive Revenue Forecasts are released two times each year and monthly revenues are monitored year-round on an on-going basis. The semiannual forecast update cycle results in three separate executive revenue forecasts for each fiscal year. The first occurs in January, six months before the start of the fiscal year in question. The second is in July, at the beginning of the fiscal year in question. The third, and final, forecast is in January at the midpoint through the fiscal year in question.

IDAHO MILLENNIUM FUND

During the legislative 2000 session, the Idaho Legislature amended Title 67 of the Idaho Code by adding Chapter 18 relating to the Idaho Millennium Fund. This legislation has established an endowment fund to receive, invest, and disburse funds that the State of Idaho is receiving as a result of the master settlement agreement reached with tobacco companies. On March 31, 2001 the market value in this fund was \$33,689,758.

The new legislation preserves the long-term capital value of these funds through a 5% annual distribution rule, ensuring that the State will never be left short of funds if future tobacco settlement payments, for unforeseen reasons, cease to be paid. The purpose of the legislation was not to define the program beneficiaries. Programs funded by distributions from the Idaho Millennium Fund are to be determined through the normal legislative appropriations process. The State Treasurer has been granted the authority to invest the Idaho Millennium Fund assets according to the standards of the Idaho uniform prudent investor act (Chapter 5, Title 68, Idaho Code).

RECENT FINANCIAL INFORMATION REGARDING THE STATE

Fiscal Year 2002

The total amount of General Funds forecast to be available in FY 2002 is \$2,108,317,400. This consists of a projected \$2,042,485,000 in base revenues, plus \$192,852,200 in beginning balance, less a one-time transfer of \$19,998,100 from the General Fund to the Budget Stabilization Fund, plus \$7,028,300 in other net fund transfers, less \$114,050,000 in net revenue adjustments that result from 16 law changes that were enacted during the 2001 legislative session.

Base revenues for FY 2002 are forecast to be up only \$42.7 million (2.1 percent) over FY 2001. This forecast was produced in December 2000, and reflects a combination of significant one-time revenue in FY 2001 and an expectation that Idaho's employment growth will slow considerably in 2001 and 2002, thereby tempering the growth rate in overall General Fund revenue in FY 2002.

Without the impact of law changes and one-time revenue in FY 2001, General Fund revenue growth would be 6.7% in FY 2001 and 5.9% in FY 2002. The largest one-time element is an estimated \$40 million in corporate income tax receipts expected in FY 2001. This is due to Micron Technology's \$2.2 billion in earnings for its tax year that ended in September 2000. That result followed three years of low to no profitability, and current conditions are not looking favorable for continued profitability. Hence the FY 2002 general fund revenue forecast assumes no further corporate income tax payments from Micron Technology beyond FY 2001.

Another large one-time revenue element in FY 2001 is related to the estate tax. This component of the miscellaneous revenue category usually produces \$7-8 million per year, but in October 2000 a very large payment (over \$20 million) boosted FY 2001 revenue from that source. This is not expected to recur in FY 2002.

A less obvious one-time element in the FY 2001 revenue forecast is in the individual income tax. The 2000 legislature enacted a rate reduction in the individual income tax that was limited to one year. Although it has since been increased and made permanent, the base estimate for FY 2002 treats this provision as a one-time occurrence. Its impact is estimated at \$12.5 million. Other one-time revenue components of FY 2001 consist of a variety of miscellaneous revenue items that total \$17.64 million in FY 2001.

As is becoming usual, the strongest base revenue growth forecast for FY 2002 is in the individual income tax. After projected growth of 6.7 percent in FY 2001, the base for the individual income tax is expected to grow 7.1 percent in FY 2002 to \$1,096.6 million. However, the combined effect of eight bills enacted during the 2001 legislative session leads to a reduction of \$87.7 million to \$108.9 million in FY 2002. Only three of these bills had an impact greater than \$1,000,000. HB 87a provides a one-time increase in the capital gains exclusion (from 60% to 80%) and reduces FY 2002 individual income tax revenue by \$4.35 million. HB 377a makes a variety of changes to both the individual income tax and the corporate income tax. On the individual side, its primary features are a rate reduction of 0.4 percentage points to each rate bracket, a \$5 increase in the grocery credit, and a broadening of the health insurance deduction. Its net effect in FY 2002 is a reduction of \$71.2 million, of which \$2.7 million is a one-time occurrence. The impact of HB 378 is also split between the individual income tax and the

corporate income tax. It provides a 100% credit for property taxes paid on agricultural machinery and equipment. Its impact on the individual income tax in FY 2002 is estimated to be \$10.9 million. The remaining five bills have a combined impact of a \$1.25 million reduction to the individual income tax in FY 2002. The net effect of all law changes and one-time impacts is an FY 2002 individual income tax revenue decline of \$15.3 million, or 1.5 percent.

The base of the corporate income tax is forecast to grow by \$5.8 million (4.5 percent) to \$135.8 million in FY 2002, from \$130 million in FY 2001. However, the actual forecast for the corporate income tax in FY 2001 is \$170 million. The difference is due to an expected one-time surge in collections from Micron Technology. When this one-time FY 2001 item is considered, the corporate income tax is expected to decline by \$34.2 million (20.1%) in FY 2002. Law changes enacted during the 2001 legislative session reduce FY 2002 corporate income tax revenue even further. Only four bills impacting corporate income tax revenue were enacted in 2001. Two had impacts exceeding \$1,000,000. HB 377a was by far the largest, cutting an estimated \$23.3 million from the FY 2002 corporate income tax revenue base. Of this amount, \$6,000,000 is a one-time occurrence. The corporate income tax elements of HB 377a are a permanent rate reduction of 0.4 percentage points, new credits for research & development and broadband equipment, and a new county incentive investment tax credit that is piggy-backed on the current ITC. HB 378 is the agricultural equipment & machinery property tax credit, and is expected to reduce the corporate income tax by \$1.45 million in FY 2002. The other two bills have a combined impact of a \$325,000 in reduction to the corporate income tax in FY 2002. When all one-time impacts and law changes are considered the corporate income tax is expected to go from \$170 million in FY 2001 to \$110.7 million in FY 2002. This is a \$59.3 million, or 34.9 percent, reduction.

The base sales tax forecast is for an increase of \$38.3 million (5.8 percent) to \$696.3 million in FY 2002. This growth is reduced by \$445,000 as a result of four law changes. The largest change is a reduction of \$230,000 due to HB 299, a new property tax circuit breaker deduction for funeral costs (the circuit breaker is funded “off the top” of the sales tax). After allowing for these law changes, the growth in sales tax revenues is \$37.9 million (still 5.8 percent).

General Fund revenues from the product taxes are forecast to fall by \$0.2 million (1.0 percent) in FY 2002. The product taxes are tied to unit sales, and the reduction is due to declining cigarette consumption. There are no law changes that impact the product taxes.

Base miscellaneous revenues are projected to fall by \$33.6 million (26.5 percent) in FY 2002 due to a combination of fewer one-time transfers, no Tax Anticipation Note interest earnings in the executive forecast prepared in December 2000 (the fiscal impact of a Tax Anticipation Note issued in FY 2002 will be reflected in the July 2001 executive forecast update), and a return to normal estate tax collections (FY 2001 includes over \$20 million of extraordinary estate tax receipts). Four bills enacted in the 2001 legislative session impact miscellaneous revenues in FY 2002. Three of these bills have impacts in excess of \$100,000. HB 174 reduces the mine license tax from 2% to 1% at an expected cost of \$200,000 in FY 2002. HB 218 increases miscellaneous revenues by \$7.4 million in FY 2002 as a result of an accounting change in the Attorney General’s Indirect Cost Recovery Fund. Those receipts are now placed in the General Fund then appropriated to the Attorney General. HB 345 diverts 10% of the funds that are presently collected from fines and forfeitures to the Idaho Peace Officers Standards and Training Academy (POST). The reduction to the General Fund is estimated to be \$550,000. When all law changes

that impact miscellaneous General Fund revenues are considered the decline in FY 2002 is only \$27 million (21.3 percent).

Expenditures authorized for FY 2002 consist of \$1,814,365,200 in base spending plus \$229,929,900 in adjustments and enhancements. An ending balance of \$64,022,300 is anticipated.

Agency enhancements totaled \$83.0 million in FY 2002. The majority of these enhancements (\$46.1 million) went to education. Public Schools received \$24.0 million, Higher Education received \$9.6 million, Public Broadcasting received \$6.2 million, and Special Programs received \$4.4 million. Another large recipient of enhancements (\$18.8 million) was the Public Safety category. Adult Corrections received \$10.8 million, Juvenile Corrections received \$3.3 million, and the Judicial Branch and State Police each received enhancements of \$2.3 million. Other large enhancement recipients were Health & Welfare (\$5.2 million) and the Department of Commerce (\$4.1 million).

Besides enhancements, Public Schools also received \$42.5 million in maintenance increases. These cover enrollment increases, inflation, employee compensation, etc.

State department (i.e., excluding public schools) employee salary increases in FY 2002 cost \$20.2 million for a 4.5% increase. State department replacement capital outlays are \$15.0 million, annualizations are \$3.7 million, inflation increases are \$5.7 million, and personnel benefit increases are \$4.4 million in FY 2002.

Fund shifts totaled \$22.3 million in FY 2002. These are accounting changes that involve redirecting existing fund sources into the General Fund, then appropriating an equivalent amount to the affected agency. The Attorney General's Indirect Cost Recovery Fund, at \$7.4 million, accounts for about one-third of the fund shift total. Other large fund shifts occurred in Health & Welfare and Colleges & Universities.

Finally, nonstandard adjustments totaled \$33.2 million in FY 2002. These are maintenance of current operations items associated with enrollment increases, caseload increases, etc. Two-thirds of FY 2002 nonstandard adjustments were in Health & Welfare for Medicaid increases. The Department of Corrections received a \$4.8 million nonstandard adjustment, Colleges & Universities received \$2.7 million, and Professional-Technical Education received \$1.6 million. All other nonstandard adjustments were for less than half a million dollars.

Fiscal Year 2001

Total General Funds projected to be available in FY 2001 are \$2,029,209,200. This consists of a \$182,424,200 beginning balance, \$1,999,810,000 in base revenues, less \$153,025,000 in transfers out of the General Fund.

General Fund expenditures are projected to total \$1,836,357,000. This consists of \$1,804,038,100 in original appropriations, plus \$2,899,800 in prior year reappropriations, plus \$29,419,100 in net supplementals. The projected ending balance is \$192,852,200.

The current FY 2001 base revenue forecast of \$1,999.8 million is \$218.9 million higher than the original executive revenue forecast of \$1,780.9 million made in December 1999.

The individual income tax accounts for the majority of the upward revision to the FY 2001 revenue forecast. The individual income tax has been revised upward by \$82.1 million (8.7 percent) to \$1,024.2 million on the basis of stronger than expected revenue results in FY 2000 and stronger economic performance in 1999 and 2000.

The corporate income tax forecast for FY 2001 has been revised upward by \$68.5 million (67.5 percent) to \$170.0 million on the basis Micron Technology's \$2.2 billion in earnings for their tax year that ended in September 2000. At the time the original FY 2001 forecast was prepared (December 1999) the outlook for Micron's return to profitability was not so clear.

The sales tax forecast has been revised upward by \$14 million (2.2 percent) on the basis of stronger than expected results in FY 2000 and stronger economic performance in 2000.

The product tax category has been revised upward by \$5.2 million (33.2 percent) to \$20.7 million. The bulk of this upward revision is due to a law change that redirects receipts from the tax on tobacco products (as distinct from cigarettes) to the General Fund. Tobacco product taxes had previously gone to the Water Pollution Control Fund.

The miscellaneous revenue forecast has been revised upward \$49.1 million (63.1 percent) to \$127.0 million due to a variety of factors. The largest is a change in the distribution of the estate tax. Prior to FY 2001 this revenue source was deposited into the Water Pollution Control Fund. Beginning in FY 2001 estate tax collections are deposited into the General Fund. In a normal year the estate tax yields \$7-8 million, but occasionally a large estate yields a much larger amount of revenue. FY 2001 has proven to be one such year, with a very large estate tax receipt (over \$20 million) collected in October. This has yielded a current estimate of \$27 million from the estate tax in FY 2001. The \$6.3 million increase in interest earnings is due to inclusion of the 2000 TAN net interest proceeds. An additional \$11.7 million comes to the General Fund in several one-time transfers that were enacted during the 2000 legislative session.

Fiscal Year 2000

General Fund revenue in FY 2000 was \$1,820,964,100. An additional \$46,555,100 was available as a carryover from the prior year. Transfers out of the General Fund totaled \$4,743,500. The cancellation of prior year encumbrances added \$417,600 to yield the total funds available in FY 2000 of \$1,863,193,300.

General Fund revenue growth was 12.1% in FY 2000. This was \$112.6 million, or 6.6 percent, higher than the revised executive forecast made in December 1999.

The strongest revenue growth in FY 2000 was from the corporate income tax. Its increase of \$29.4 million (30.8%) followed three years of decline that brought corporate income tax 37.2% lower in FY 1999 vs. the all-time peak of \$152.0 million in FY 1996. Nonetheless, FY 2000 corporate income tax collections of \$124.9 million were less than 7% of total General Fund revenue.

The individual income tax had the largest actual increase in FY 2000 in absolute terms. Growth of \$118.3 million (14.1 percent) was \$68.0 million (7.6 percent) higher than the revised executive forecast made in December 1999. This large forecast error was due to two primary

factors. One has to do with large amounts of income tied to the stock market – capital gains, exercised stock options, bonuses, etc. This caused most states with income taxes (and the federal government) to have large surpluses in FY 2000. The other factor was unique to Idaho. Over the course of 1999 (and into early 2000) the nonfarm employment data showed Idaho's job growth slowing dramatically from over 4% in early 1999 to less than 1% by late 1999. However, this data was revised substantially in the spring of 2000 (the largest employment benchmark adjustment ever in Idaho) and showed a much different picture. Instead of sharp deceleration, job growth in Idaho actually accelerated in 1999 from about 3% early in the year to over 4.5% by the end of 1999. This also contributed to substantially higher revenue than was forecasted in late 1999.

The sales tax grew by \$38.7 million (6.6 percent) in FY 2000. This is \$9.9 million (1.6 percent) higher than the forecast of \$617.6 made in the December 1999 executive forecast. This better than expected performance was primarily the result of the significant revision to Idaho's 1999 employment data.

The product tax revenue category grew by \$0.2 million (1.2 percent) in FY 2000. This was slightly more than the 0.4 percent increase forecasted in the December 1999 revised executive revenue forecast. Miscellaneous revenues grew by \$9.9 million in FY 2000, a 12.0 percent increase. This is \$9.0 million (10.8 percent) higher than the December 1999 executive revenue forecast.

General Fund spending in FY 2000 consisted of \$1,674,713,100 in original appropriations, plus \$2,534,400 in prior year reappropriations, plus \$12,711,600 in positive supplementals, less \$6,514,300 in negative supplementals, plus \$614,500 in appropriation adjustments, less \$390,400 in reversions, less \$2,899,800 in next year reappropriations.

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TABLE 8
IDAHO ECONOMIC INDICATORS

	Calendar Years				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Personal Income (millions)	\$ 26,986	\$ 28,582	\$ 30,889	\$ 32,424	\$ 34,140
Percent Change	7.0%	5.9%	8.1%	5.0%	5.3%
Total Nonfarm Employment	521,532	539,111	558,801	567,401	577,152
Percent Change	2.5%	3.4%	3.7%	1.5%	1.7%
Goods Producing Employment	111,246	113,561	115,916	115,663	117,362
Percent Change	1.2%	2.1%	2.1%	-0.2%	1.5%
Service Producing Employment	410,286	425,549	442,884	451,739	459,790
Percent Change	2.9%	3.7%	4.1%	2.0%	1.8%
Population (thousands)	1,231	1,252	1,274	1,293	1,310
Percent Change	1.7%	1.7%	1.7%	1.5%	1.3%
Housing Starts (Idaho)	10,128	10,335	11,468	10,914	10,257
Single Unit	9,045	9,197	10,309	9,984	9,463
Multiple Unit	1,083	1,138	1,159	930	794

Selected U.S. Production Indices (1992 = 100)

Lumber & Wood Products	107.5	110.8	106.9	100.4	100.8
Office & Computer Equipment	196.8	310.3	446.1	543.8	669.8
Electrical Machinery	155.4	193.3	266.3	305.1	332.7
Electronic Components	209.8	311.5	544.8	664.4	760.0
Food	105.1	106.8	108.7	111.5	114.5
Paper	107.3	109.3	108.2	108.2	113.9
Agricultural Chemicals	105.5	104.6	98.6	96.5	103.2
Mining, Except Oil & Gas	106.2	104.0	103.4	98.0	97.4

Selected U.S. Producer Prices (1982 = 100)

All Items	1.244	1.255	1.327	1.344	1.334
Lumber & Wood Products	1.790	1.836	1.782	1.759	1.770
Machinery & Equipment	1.249	1.242	1.240	1.242	1.239
Farm	1.045	0.984	0.995	0.986	0.999
Pulp, Paper & Allied Products	1.716	1.741	1.836	1.847	1.854
Chemicals	1.439	1.442	1.510	1.501	1.479

Sources: Standard and Poor's DRI and *Idaho Economic Forecast*, April 2001

TABLE 9

STATE OF IDAHO
GENERAL FUND
SUMMARY OF THE 2002 FISCAL YEAR BUDGET

	(Cash Basis) (000s omitted)	
	BUDGET	PERCENT
Unobligated Cash Balance July 1	\$192,852	
Add Beginning Encumbrances	14,500	
Beginning Cash Balance	\$207,352	
REVENUES		
Individual Income Tax	\$1,008,851	52.10%
Sales Tax	695,855	35.95%
Corporate Income Tax	110,725	5.72%
Cigarette Tax	7,495	0.39%
Tobacco Tax	4,300	0.22%
Beer and Wine Tax	3,690	0.19%
Kilowatt Tax	2,300	0.12%
Mine License Tax	200	0.01%
Liquor Surcharge	4,950	0.26%
Insurance Premium Tax	50,900	2.63%
Total Taxes	\$1,889,266	97.59%
State Treasurer	\$12,769	0.66%
Court Fines	4,950	0.26%
Miscellaneous	28,838	1.49%
Total Revenues	\$1,935,823	100.00%
EXPENDITURES		
Public Schools	\$932,970	44.87%
Higher Education	298,484	14.36%
Health and Welfare	358,022	17.22%
All Others	489,677	23.55%
Total Appropriated Expenditures	\$2,079,153	100.00%
Nonoperating Rec./Disb. (net)	\$0	
Net Interest Rev/Exp on TAN	0	
Ending Cash Balance	64,022	
Less Encumbrances/Reappropriations	0	
Unobligated Cash Balance June 30	\$64,022	

Source: Division of Financial Management

TABLE 10
STATE OF IDAHO
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES
FISCAL YEARS 1997 - 2001

(Cash Basis)
For the Fiscal Years Ended June 30
(000s omitted)

	2001		2000		1999		1998		1997	
	\$	%	\$	%	\$	%	\$	%	\$	%
UNOBLIGATED CASH BALANCE JULY 1	\$179,524		\$46,555		\$35,640		\$13,346		\$11,697	
ADD BEGINNING ENCUMBRANCES	18,152		16,045		8,452		8,470		7,079	
BEGINNING CASH BALANCE	\$197,676		\$62,600		\$44,092		\$21,816		\$18,776	
REVENUES										
Individual Income Tax	1,024,200	50.95%	960,169	52.36%	841,865	51.40%	776,191	51.89%	704,820	50.2%
Sales Tax	658,000	32.73%	627,503	34.22%	588,797	35.95%	496,808	33.21%	476,726	33.9%
Corporate Income Tax	170,000	8.46%	124,873	6.81%	95,438	5.83%	117,287	7.84%	122,357	8.7%
Cigarette Tax	7,900	0.39%	7,295	0.40%	7,230	0.44%	7,477	0.50%	7,486	0.5%
Tobacco Tax	4,100 ¹	0.20%	N/A		N/A		N/A		N/A	
Beer and Wine Tax	3,700	0.18%	3,717	0.20%	3,580	0.22%	3,420	0.23%	3,294	0.2%
Kilowatt Tax	2,300	0.11%	2,765	0.15%	2,890	0.18%	3,240	0.22%	2,974	0.2%
Mine License Tax	400	0.02%	(659)	-0.04%	1,983	0.12%	960	0.06%	663	0.1%
Liquor Surcharge	4,950	0.25%	4,945	0.27%	4,945	0.30%	4,945	0.33%	4,945	0.4%
Insurance Premium Tax	\$48,600	2.42%	\$46,432	2.53%	\$45,465	2.78%	\$42,846	2.86%	\$40,263	2.87%
Total Taxes	1,924,150	95.71%	1,777,040	96.90%	1,592,193	97.22%	1,453,174	97.14%	1,363,528	97.0%
State Treasurer	29,031	1.44%	34,274	1.87%	32,152	1.96%	31,766	2.12%	31,668	2.3%
Court Fines	5,400	0.27%	5,306	0.29%	5,130	0.31%	5,019	0.34%	4,708	0.3%
Miscellaneous	\$51,860	2.58%	\$17,058	0.93%	\$8,420	0.51%	\$6,020	0.40%	\$5,378	0.38%
TOTAL REVENUES	2,010,441	100.00%	1,833,678	99.99%	1,637,895	100.00%	1,495,979	100.00%	1,405,282	100.0%
EXPENDITURES										
Public Schools	873,465	43.89%	821,072	48.70%	796,360	49.58%	705,000	48.30%	678,770	48.9%
Higher Education	263,119	13.22%	251,163	14.90%	239,225	14.90%	221,173	15.15%	215,673	15.5%
Health and Welfare	315,013	15.83%	274,272	16.27%	250,856	15.62%	230,627	15.80%	228,485	16.5%
All Others	\$538,537	27.06%	\$339,566	20.14%	\$319,486	19.89%	\$302,977	20.76%	\$265,930	19.15%
TOTAL APPROPRIATED EXPENDITURES	1,990,134	100.00%	1,686,073	100.01%	1,605,927	99.99%	1,459,777	100.01%	1,388,858.00	100.0%
NONOPERATING REC./DISB. (NET)			186		3		(90)		41	
INTEREST EXPENSE ON TANS	(10,631)		-12,715		(13,463)		(13,836)		(13,425.00)	
ENDING CASH BALANCE	207,352		197,676		62,600		44,092		21,816	
LESS ENCUMBRANCES/REAPPROPRIATIONS	(\$14,500)		(\$18,152)		(\$16,045)		(\$8,452)		(\$8,470)	
UNOBLIGATED CASH BALANCE JUNE 30	192,852		179,524		46,555		35,640		13,346	

Note #1: Prior to FY 2001 Tobacco Tax was distributed to various dedicated funds. Law change during the 2000 legislative session changed the distribution formula.

GENERAL TAX REVENUES

The following General Tax Revenues are the sources for the repayment of principal of and interest on the Notes.

Individual Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the individual income tax are based on a graduated scale of tax liability applied to taxable income. There are several rates and brackets for taxable income up to \$7,500 (\$15,000 for joint returns). Between \$7,500 and \$20,000 (\$15,000 to \$40,000 for joint returns) the rate is 7.4%, effective January 1, 2001. For taxable income above \$20,000 (\$40,000 for joint returns) the rate is 7.8%, effective January 1, 2001. Also, State law conforms to most of the provisions enacted in the Tax Reform Act of 1986. Notable exceptions include a) enactment of a limited capital gains exclusion at the State level, b) retention of the State investment tax credit, including its general tie-in to the federal definition of eligible property.

Most collections occur through the monthly withholding process. The remainder is collected through net filings. An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Account. Any balance exceeding \$1,500,000 in the Income Tax Refund Account at the end of the year is transferred to the General Fund on June 30. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the individual income tax accrue to the General Fund.

TABLE 11
STATE OF IDAHO
INDIVIDUAL INCOME TAX
Individual Income Tax Net Collections

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Building</u> <u>Fund</u>	<u>Total</u>
1991	\$432,218,331	\$3,984,080	\$436,202,411
1992	459,429,897	3,157,015	462,586,912
1993	508,023,141	4,998,898	513,022,039
1994	559,166,605	4,215,401	563,382,006
1995	596,457,494	4,458,954	600,916,448
1996	650,850,016	4,708,545	655,558,561
1997	704,819,923	4,236,116	709,056,039
1998	776,192,032	4,817,330	781,009,362
1999	841,864,958	5,107,517	846,972,475
2000	960,163,683	5,041,070	965,204,753

(Source: State Tax Commission)

Sales Tax (Title 63, Chapter 36, Idaho Code)

Sales tax collections are based on a flat rate of 5% applied to the sales price or value of all tangible personal property subject to sales and use taxation. Exemptions to the sales and use tax include a) tangible personal property used or consumed directly in the production of manufactured goods, minerals or agricultural products (the so-called production exemption), b) gas, water and electricity sold to consumers, c) heating material sales, d) the value of traded-in merchandise, e) occasional sales and home yard sales, f) materials used in research at the Idaho National Engineering Laboratory, g) irrigation equipment, h) pollution control equipment, i) school lunches, j) prescription drugs, and k) logging. Sales tax funds must be allocated to the Idaho Housing and Finance Association if within 60 days of the close of the fiscal year, the Chairman of the Housing Agency Board of Commissioners certifies to the State Tax Commission that a deficiency exists in any Agency Capital Reserve Fund. No claims have ever been made by the Agency for state sales tax funds and none are anticipated. The Legislature has eliminated the continuing appropriations for all Idaho Housing and Finance Association bonds issued on or after January 1, 1996.

Sales tax rates since inception of the tax have been as follows:

<u>Dates</u>	<u>Rate</u>
July 1, 1965 - Feb. 28, 1983	3.0%
March 1, 1983 - May 31, 1983	4.0%
June 1, 1983 - June 30, 1984	4.5%
July 1, 1984 - March 31, 1986	4.0%
April 1, 1986 - Present	5.0%

The current distribution formula for revenues generated by the sales tax is as follows:

1. 13.75% of net collections to revenue sharing (cities and counties);
2. \$5,000,000 per annum to the Permanent Building Fund;
3. \$4,800,000 per annum to the Water Pollution Control Fund;
4. \$12,100,000 (or such amount as the Tax Commission certifies is needed) to fund the Circuit Breaker Program;
5. Remaining net collections to the General Fund.

TABLE 12
STATE OF IDAHO
TAXABLE SALES AND USE TAXABLE SALES
(000s omitted)

<u>Calendar Year</u>		<u>Calendar Year</u>	
1991	\$ 8,278,375	1996	\$12,285,739
1992	8,134,638	1997	12,434,851
1993	10,133,119	1998	12,970,353
1994	11,191,306	1999	14,601,265
1995	11,624,000	2000	14,912,310

(Source: State Tax Commission)

Corporate Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the corporate income tax are based on a flat rate of 7.6%, effective January 1, 2001 (8.0% before that date), applied to taxable income. Prior to tax year 1987, the rate had been 7.7%. Beginning with 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the investment tax credit repeal. Idaho continues to allow a 3% credit that is tied generally to the federal definition of eligible property. Also new for 1987, Idaho began requiring that corporations file quarterly payments of estimated taxes. This new provision is based upon the federal rules, and was being phased-in over a two-year period.

An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State income tax refund account. Any excess not diverted for refunds reverts to the General Fund. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the corporate income tax accrue to the General Fund.

TABLE 13
STATE OF IDAHO
CORPORATE NET INCOME TAX

<u>Fiscal Year</u>	<u>General Account Receipts</u>	<u>State Building Fund</u>	<u>Total</u>
1991	\$ 60,017,200	\$ 252,028	\$ 60,269,228
1992	57,971,299	194,185	58,165,484
1993	70,003,833	282,010	70,285,843
1994	87,628,174	196,830	87,825,004
1995	131,636,134	250,724	131,886,858
1996	151,979,175	246,724	152,225,899
1997	122,357,177	249,546	122,606,723
1998	117,286,401	283,673	117,570,074
1999	95,437,675	270,030	95,707,705
2000	124,872,935	303,591	125,176,526

(Source: State Tax Commission)

Other Taxes

Cigarette Tax (Title 63, Chapter 25, Idaho Code)

Cigarette Tax collections are based on a tax of 1.4¢ per cigarette. Five cents (5¢) per pack is distributed to the Public School Income Fund and five cents (5¢) to County Juvenile Probation Services. Of the balance, 43.3% is credited to the Permanent Building Fund; 6.7% is credited to the Water Pollution Control Fund; 1% (to maximum of \$141,000) is credited to the Tumor Registry Fund; and 2.5% is distributed to the Cancer Control Account. The remainder accrues to the General Fund.

Tobacco Tax (Section 63-2552 Idaho Code)

Tobacco Tax collections are collected on the sale, use, consumption, handling or distribution of all tobacco products in the State at the rate of 40%, 6.25% is distributed to the Public School Income Fund, 6.25% is distributed to County Juvenile Probation Services and the remainder accrues to the General Fund.

Beer Tax (Section 23-1008, Idaho Code)

Of the total tax of \$4.65 per 31-gallon barrel or equivalent that is levied on beer, \$.93 goes to the Alcoholism Treatment Account, \$1.55 to the Permanent Building Fund and the remainder (\$2.17) to the General Fund.

Wine Tax (Section 23-1323, Idaho Code)

Revenue is derived from a tax on wine sold in Idaho. The rate is \$.45 per gallon of wine. Twelve percent (12%) goes to the Alcoholism Treatment Account, 5% goes to the Idaho Grape Growers & Wine Commission and the remainder to the General Fund.

Kilowatt Hour Tax (Title 63, Chapter 27, Idaho Code)

Revenue is derived from a one-half mill per kilowatt hour tax on electricity generated in the State of Idaho by water power. Power used by industrial consumers and for the irrigation of land is exempt from this tax. All collections accrue to the General Fund.

Mine License Tax (Title 47, Chapter 12, Idaho Code)

Revenue is derived from a 2% "profit" tax on Idaho mining operations. All collections accrue to the General Fund.

Liquor Surcharge (Section 23-217, Idaho Code)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State liquor dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund.

Insurance Premium Tax (Title 41, Chapter 4 and Section 59-1357, Idaho Code)

The Insurance Premium Tax was modified in 1994 to reduce the rate from 3.0% to 2.75% of gross premiums written in the State. The rate on title insurance was raised in 1988 from 1.1% to 1.5%. All insurers, other than life insurers, with 25% or more of their total assets invested in domestic investments may qualify for a 1.4% rate. Life insurers may qualify for a 1.4% rate with 25% or more of their total reserve invested in domestic investments. The preferential rate was decreased from 1.6% in 1994.

Most annual receipts occurred in the month of March until the 1983 fiscal year when a system of quarterly payments was instituted. Prepayments based on previous year premiums are now due in June (60%), September (20%) and December (15%), with full payment for any balance due the following March 1. Approximately 95% of the fire insurance premiums are distributed from tax prepayments – 100% of the final fire insurance premium taxes are distributed to the Fireman's Retirement Fund.

Collections of filing fees, license fees and miscellaneous charges are also made. Beginning December 31, 1984, these revenues were transferred to the Insurance Administration Fund to fund Department of Insurance appropriations. At the beginning of each fiscal period, amounts in this fund exceeding the current fiscal year appropriation by more than 25% are transferred to the State of Idaho General Fund.

In 1997 fiscal year legislation changed Health Maintenance Organizations (HMO's) to Managed Care Organizations. This changed their tax rate from \$.04 per subscriber to the 2.75% of gross premiums written in the State.

Estate Tax (14-413 0507, Idaho Code)

The State Tax Commission collects estate taxes and remits the money to the State Treasurer. Estate Taxes are distributed as follows: 10% goes into a fund to be sent to the counties (at least quarterly); an amount sufficient to pay current refund claims is paid into the State Refund Fund; and the balance is distributed 10% into the Resource Conservation and Rangeland Development Loan Fund with the balance distributed to the General Fund.

LITIGATION

On December 30, 1998, the Idaho Supreme Court issued its decision in the case of *Idaho Schools for Equal Education Opportunity v. The State of Idaho*. The Court concluded that, pursuant to Article IX, § 1, of the Idaho Constitution, which requires the Legislature to “establish and maintain a . . . thorough system of public, free common schools,” the Legislature must provide a means for school districts to fund facilities that provide a safe environment conducive to learning. The Court vacated a summary judgment granted by the District Court of the Fourth Judicial District dismissing this claim and ordered the matter remanded for a trial or “other appropriate proceeding to determine whether the Legislature has provided a means to fund facilities that provide a safe environment that is conducive to learning.” The Court upheld a summary judgment dismissing claims for a declaration that a thorough system of public, free common schools requires (1) equalization of funding for capital expenditures, and (2) not submitting special override levy elections to the voters for special facility levies. The plaintiffs’ petition for reconsideration by the Supreme Court of the last two matters was denied May 17, 1999.

The case was tried during March and August, 2000. On February 5, 2001, Fourth District Judge Deborah Bail issued her Findings of Fact and Conclusions of Law that the current “system for the replacement and major repairs of unsafe buildings based upon loans alone is not adequate to meet the constitutional mandate to establish and maintain a general, uniform and thorough system of public free, common schools in a safe environment conducive to learning for Idaho’s poorest school districts which lack any reasonable means to repay such loans while maintaining a

thorough education for the students.” The District Court retained jurisdiction to allow the legislature to address its ruling, but in denying a permissive appeal to the Supreme Court of Idaho, the District Court further stated:

The Court has concluded that the funding system itself is flawed in that a solely loan-based system of funding to replace or repair unsafe school buildings is not adequate under the Idaho Constitution because the poorest school district cannot obtain the funding to repair or replace seriously dangerous and defective buildings. The Court has concluded, based upon the facts, that the problem is a system problem, not just a problem of a few individual schools. Considerable work remains for the Court in fashioning a remedy.

The District Court concluded:

There should be no doubt in anyone’s mind – if the legislature does not act, the Court will. At the same time, the legislature ought to have the first opportunity to utilize its unique powers to examine issues, to balance competing interest, and to consider multiple reasonable options to deal with the real problem.

The District Court added:

Obviously, there is a need for outright aid to repair or replace unsafe schools for the poorest school district [s] who are suffering from declining population, high unemployment, low income, a low property tax base, but high property taxes and which cannot reasonably assume greater debt.

The District Court further stated:

The fashioning of a system which provides a means to fund safe school buildings is, first and foremost, a legislative responsibility. There are a number of different approaches which the legislature might find workable. The legislature’s own 1993 Needs Assessment outlines the approaches followed by other states which have dealt with the same problem Idaho now much address. Alaska appropriates funds which are distributed based upon a priority ranking system: the highest priority is given to life/safety issues, followed by unhoused students, protection of structures, code upgrades, operational cost savings, functional upgrades. Georgia used matching grants with a ration which varies based upon the wealth of the district. Washington used matching grants to make bond passage more palatable to local voters. Lowering the supermajority requirement and creating incentives to help local school districts deal with the repair and replacement needs before students are endangered are among the many possible options which could be followed. Idaho may want to borrow and adapt other approaches or create its own. The Idaho legislature is currently exploring a range of approaches.

The District Court also stated that its February 5, 2001, decision was not yet complete and that a further decision would be made. It will retain jurisdiction to review additional evidence concerning possible hazardous conditions caused by heavy metal contamination in Silver Valley Schools in Shoshone County.

It is not possible to predict the eventual outcome of the case or the possible fiscal impact on the State. It is unlikely at this time that the district court's eventual rulings will have any significant financial impact on the State during the 2001-2002 fiscal year.

In the opinion of the Attorney General of the State of Idaho, there is no litigation pending against the State that will materially adversely affect the ability of the State to pledge the General Tax Revenues to the repayment of the Notes. At the time of the delivery of the Notes, the Idaho Attorney General's office will provide a certificate stating that there is no litigation pending or threatened against the State or its officers which questions the authority of the State to issue the Notes or which seeks to restrain or enjoin the issuance or delivery of the Notes or the collection of the General Tax Revenue pledged to the repayment of the Notes.

THE IDAHO SCHOOL BOND GUARANTY ACT

By enactment of Senate Bill No. 1236, the 1999 Idaho Legislature created the "Idaho School Bond Guaranty Act" (the "Act"), now codified as Chapter 53, Title 33, Idaho Code, for the purpose of establishing a default avoidance program for voter-approved school bonds issued by Idaho public school districts. (Voter-approved school bonds are general obligation bonds, for which the full faith and credit and unlimited ad valorem taxing power of the issuing school district are pledged.)

The Act:

- Pledges the sales tax of the State to guarantee the full and timely payment of the principal of and interest on school bonds approved by the voters on and after March 1, 1999.
- Provides that the State Treasurer, after determining eligibility, may issue a certificate of eligibility for the State's guarantee, which shall be printed on the bonds and which is good for the life of the bonds.
- Provides that the State Treasurer shall (i) monitor the financial affairs and conditions of each school district and immediately report to the governor and State superintendent of public instruction any circumstances suggesting that a district will be unable to meet its debt service obligations, (ii) recommend a course of action to correct such problems, and (iii) if warranted, issue a determination of ineligibility.
- Provides for notification to and advancement of funds by the State treasurer to the paying agent for any guaranteed bonds whenever a district is unable to make its scheduled debt service payments.
- Requires the State Treasurer to intercept any payments due that district from the public school permanent endowment fund or from any other source of operating moneys provided by the state, and to apply the intercepted payments to reimburse the State for payments made pursuant to the guaranty program.

- Provides that, if necessary, the state treasurer may issue "general obligation notes" ("notes") to provide funds for the guaranty program, and pledges the State sales tax to pay the notes.
- Creates a credit enhancement program for voter approved school district bonds, to be administered by the public school endowment fund investment board, and provides for purchase by the endowment fund of notes issued by the State Treasurer pursuant to the school bond guaranty program.

The State Treasurer was advised by counsel that there were unresolved constitutional and other legal questions relating to the school bond guaranty program which would have to be resolved by the Idaho Supreme Court before bond counsel could render unqualified approving opinions as to the validity of the school bond guaranty program. Accordingly, a test case in the form of an action for declaratory judgment was filed in the District Court of the Fourth Judicial District of the State of Idaho by the Idaho Endowment Fund Investment Board (the board which is charged with administering the credit enhancement program portion of the school bond guaranty program) and certain school districts, as plaintiffs, against the state treasurer, in his official capacity, as defendant, seeking a declaration that the Act is constitutional and valid. On February 2, 2000, the District Court entered its memorandum decision and order upholding the Act in all respects. In order to obtain a definitive decision on the legal issues, however, appeal has been taken to the Idaho Supreme Court (Supreme Court Case No. 26304). The matter was argued and fully submitted to the Idaho Supreme Court on November 6, 2000. On April 18, 2001, the Idaho Supreme Court issued its decision upholding the Act in all respects.

It should be noted that distribution of State sales tax moneys pursuant to the pledge of the school bond guaranty program can occur only after all required payments to the Tax Anticipation Note Redemption Fund have been made as required by Section 63-3203, Idaho Code.

The State does not anticipate that the school bond guaranty program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same become due.

MUNICIPAL BOND BANK LEGISLATION

The 2000 Idaho Legislature approved Senate Joint Resolution No. 107 (SJR 107), which, as approved by the electors voting at the November 7, 2000, state general election, amended the Idaho Constitution by the addition of a new Section 2A of Article 8.

The proposed constitutional amendment:

1. Authorized the legislature to enact laws authorizing the state to establish a bond bank authority to purchase the bonds, notes or other obligations of a municipality ("municipality" is defined as a county, city, school district, or any other special district or political subdivision of the State) and to lend money to a municipality with such loan being secured by the bonds, notes or other obligations of the borrowing municipality.

2. To enable the bond bank authority to obtain funds to purchase the bonds or other obligations of or to make loans to municipalities, authorized the legislature to enact laws authorizing the bond bank authority to issue revenue bonds, notes or other obligations payable from or secured by the bonds, notes or other obligations of one or more municipalities, and to pledge or otherwise obligate specific funds or revenues of the state as a source of payment or security for its bonds, notes or other obligations. The legislature may also authorize the authority to establish debt service reserves and credit enhancement provisions for its bonds and obligations, and to establish a revolving loan program to purchase municipal bonds, notes or other obligations and to lend money to municipalities.
3. Authorized the legislature to enact laws authorizing a municipality, in addition to its other powers but subject to the requirements of Section 3 of Article 8 of the Idaho Constitution (requiring voter approval of municipal indebtedness except for "ordinary and necessary" expenses), to issue bonds, notes or other obligations to secure loans received from the bond bank authority, to levy and collect property taxes, fees, rates, changes, and other assessments to pay and secure the bonds, notes and other obligations issued by the municipality for sale to or as security for loans received from the authority, and to pledge and assign the same to pay or secure its bonds, notes and other obligations.

SJR 107 further provided that any debt or liability of the state arising as a result of the exercise of the powers authorized by this amendment shall not be deemed to be a "debt" of the State for purposes of Section 1 of Article 8 of the Idaho Constitution (generally requiring voter approval of state indebtedness).

The 2001 Idaho State Legislature enacted, and the Governor, on March 23, 2001, signed into law, Senate Bill No. 1174, creating a new Title 67, Chapter 87, Idaho Code, to establish a state bond bank authority pursuant to the constitutional amendment (the "Act"). The Act, which takes effect on July 1, 2001, creates an independent public body corporate and politic to be known as the Idaho Bond Bank Authority (the "Authority"). The Authority is declared to be an instrumentality of the state within the State Treasurer's office, but with a legal existence independent of and separate from the state. The authority shall consist of five (5) members: the State Treasurer or his designee; one member of the Idaho State Senate appointed by the president pro tempore of the senate; one member of the Idaho House of Representatives appointed by the speaker; and two members appointed by the Governor. The Authority is authorized, among other powers, to issue bonds payable from or secured by municipal bonds of one or more municipalities (including cities, counties, school districts, and other political subdivisions), to purchase municipal bonds, to pledge sales tax revenues of the state as a source of payment or security for bonds issued by the Authority, and to establish debt service reserve funds for its bonds.

The Act provides an intercept mechanism whereby the State Treasurer may make payments on the bonds of participating municipalities and, if reimbursement is not timely made, intercept the receipt of any payment of property taxes, sales tax moneys to be distributed to the defaulting municipality, or any other source of operating moneys provided by the state to the defaulting municipality. In addition, if moneys expected to be intercepted pursuant to the intercept mechanism are expected to be insufficient to reimburse the state for its payments on the bonds, the State Treasurer shall cause moneys to be transferred from the State sales tax account and

deposited into the Authority's fund (so long as such transfer does not "impede or otherwise affect the payment of sales tax moneys pledged for the payment on other outstanding state bonds"). Any pledge of sales tax revenues made by the Authority is a binding lien on the sales tax revenues so pledged.

SCHOOL SAFETY AND HEALTH REVOLVING LOAN AND GRANT FUND

The 2000 Idaho Legislature enacted House Bill No. 668, which was signed into law by the Governor on April 12, 2000, with an effective date retroactive to January 1, 2000. House Bill No. 668 is a legislative response to the school funding litigation (described under "LITIGATION" elsewhere in this Official Statement). It requires school districts to make annual health and safety inspections of school facilities, to abate any unsafe or unhealthy conditions, and to apply lottery fund receipts to that purpose. It also authorizes a school district which is levying taxes at the maximum authorized rate and which has insufficient funds to finance its abatement needs to apply to the State Treasurer for a loan from the school safety and health revolving loan fund (the "Loan Fund").

House Bill No. 668 creates a new Section 33-1017, Idaho Code, to establish the Loan Fund. The State Treasurer is authorized to make loans from the Loan Fund to qualified school districts. The loan shall be approved if the district's loan application meets the criteria of Sections 33-1613 and 33-1017, Idaho Code. The legislature has appropriated the sum of \$10,000,000 for this purpose; however, if the state board of examiners finds that existing and anticipated loans have depleted the Loan Fund to be the extent that it does not have sufficient money available to loan to eligible districts, the board of examiners shall declare that additional loans may be made from the budget stabilization fund created by Section 57-814, Idaho Code. The term of any loan shall not exceed ten years, but the treasurer may extend a loan for an additional ten years. The interest rate on the loan shall be the average rate of interest available to other funds in the State Treasury, as determined by the state treasurer.

The State Treasurer may impose reasonable fiscal conditions on a borrowing district during the term of the loan repayment, including, but not limited to, restriction in the use of otherwise unrestricted district moneys to assist in the repayment of the loan.

The 2001 Idaho Legislature, by passage of House Bill No. 315, which was signed into law by the Governor on April 4, 2001, with an immediate effective date, amended several sections of the Idaho Code, including the statutes relating to the Loan Fund. House Bill No. 315 amends Section 33-1017, Idaho Code, to redesignate the fund as the "school safety and health revolving loan and grant fund", and provides that a school district that has borrowed from the Idaho safe school facilities loan program may apply for a grant of interest from the safety and health revolving loan and grant fund. The legislation establishes certain conditions of eligibility for a grant: after complying with the statutory requirements for safe public school facilities as set forth in Section 33-1613, Idaho Code, a school district that borrows money or refinances a loan through the Idaho safe schools facilities loan program pursuant to a school plant facilities reserve fund levy for safe school facilities under Section 33-804A, Idaho Code, may apply for a grant to pay for eligible interest costs incurred on loan proceeds used to abate unsafe and unhealthy conditions. If accepted, the school district will qualify for a grant of the present value of the qualifying percentage of the interest costs of the loan associated with abating unsafe or unhealthy conditions. The qualifying percentage is determined by the State Treasurer according to the total of the bond and plant facilities levies imposed by the school district (including the levy for which

application is made) and the total levies imposed by the school district, as a fraction of the assessed value for the most recent assessment against which the school district's existing levies are made.

Interest costs for abatement of unsafe and unhealthy conditions are calculated by determining the percentage of the loan proceeds or prepayment of the loan that will be used to abate unsafe and unhealthy conditions.

The amount of funds available for grants is limited to \$10,000,000.

The State Treasurer's authority to accept applications for and to approve grants of interest from the school safety and health revolving loan and grant fund shall cease on July 1, 2004.

Three applications for a loan from the Loan Fund have been received by the State Treasurer as of the date of this Official Statement. The State does not anticipate that the Loan Fund program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same became due.

OUTSTANDING OBLIGATIONS OF THE STATE

The State has no outstanding general obligation bond debt.

The Idaho Housing and Finance Association

The Idaho Housing and Finance Association (formerly Idaho Housing Agency) (the "IHFA"), an independent public body, corporate and politic, was created in 1972, by the Idaho Legislature under the provisions of Chapter 62, Title 67 of the Idaho Code, as amended (the "Act"). The Act empowers the IHFA, among other things, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of low income residing in the State of Idaho, and, in addition, to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons and families.

The IHFA is governed by seven commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected chairman by the Governor. The vice chairman and secretary-treasurer are elected annually by the entire Board of Commissioners. The State Treasurer serves as an advisory Board member.

The IHFA has no taxing power and neither the State nor any political subdivision thereof is liable for its bond or other indebtedness. At the time of the IHFA's inception, the Idaho Legislature enacted a continuing appropriation of the State Sales Tax Account as additional collateral for designated bond issues or portions thereof. The Legislature has eliminated the continuing appropriations for all IHFA bonds issued on or after January 1, 1996.

No claims have ever been made by the IHFA for state sales tax funds and none are anticipated. The Agency's mortgage loans are either guaranteed by Federal agencies, insured by private mortgage guarantee policies or collateralized by the IHFA's net assets. The aggregate amount of bond debt supported by Idaho State Sales Tax totaled \$44.0 million and \$46.7 million at December 31, 2000 and 1999, respectively.

As of December 31, 2000, 94.58% of the total bond debt has been used to purchase single-family mortgages, 5.42% has provided the construction and permanent financing for multifamily developments.

As of December 31, 2000, the IHFA's outstanding bond indebtedness was \$1,718.1 million. Fund balances, including reserves, were \$157.9 million.

The Idaho Health Facilities Authority

Organized in 1972, the Idaho Health Facilities Authority ("the Authority") is an independent public body politic and corporate, constituting a public instrumentality of the State of Idaho. The Authority is comprised of seven members appointed by the governor to staggered five-year terms. The Executive Director is hired by and serves at the pleasure of the Authority members.

The Authority has the power, among others, to issue tax-exempt revenue bonds or notes and re-lend the funds to governmental and not-for-profit health facilities in Idaho to (a) finance and refinance outstanding indebtedness for health facilities and (b) provide additional facilities for the development and maintenance of public health, health care, hospitals and related facilities.

These debt instruments do not directly, indirectly, or contingently obligate the State or any political subdivision thereof to levy any form of taxation or to make any appropriations for the payment thereof and any such levy or appropriation is prohibited.

As of December 31, 2000, the total outstanding indebtedness of the Authority was \$517,859,000.00.

The Idaho State Building Authority

The Idaho State Building Authority (the "Authority") is a public corporation of the State established in 1974 by the State of Idaho under the provisions of the Idaho State Building Authority Act. The Act empowers the Authority, among other things, to issue notes and bonds to finance construction or acquisition of facilities for rental to the State governmental bodies with the approval of the Legislature.

The Authority is governed by seven commissioners appointed by the Governor to serve staggered five-year terms. The commissioners of the Authority, in turn, appoints an executive director.

Bonds, notes or other obligations of the Authority are not a debt or obligation of the State of Idaho, nor of any department, board, commission, agency, political subdivision, body corporate and politic or instrumentality of or municipality or county within the State of Idaho, nor shall the bonded debt be payable out of any funds other than those of the Authority. The Authority has no taxing power.

As of December 31, 2000, the Authority's outstanding bond indebtedness was \$91,510,000. Additionally, on March 27, 2001 a bond issue in the amount of \$5,790,000 was closed

The Idaho State Lottery

The Idaho State Lottery was established in 1989. Total sales for FY-2000 were \$87,118,459. Net proceeds for that year totaled \$18 million and are divided equally between the Permanent Building Fund, for use in carrying out state public works projects and the Public School Building Fund for distribution to Idaho's Public School Districts.

Idaho Code stipulates that the State Treasurer will invest Lottery receipts and the interest generated on the Lottery Account balance will be transferred to the General Fund. Interest earnings for FY-2000 were approximately \$503,600.

Public Employees' Retirement System of Idaho

The Public Employees Retirement System of Idaho ("PERSI") covers eligible employees who work 20 hours per week or more. The membership of PERSI includes employees of the State of Idaho, including state colleges and universities, employees of political subdivisions, (*e.g.*, counties, cities, hospitals) and local school districts. As of June 30, 2000, PERSI had 60,388 active members, 18,497 inactive (of whom 6,305 are entitled to vested benefits), and 22,456 annuitants. PERSI collects contributions from employees and employers to fund retirement, disability, death and separation benefits, as provided by Chapter 13, Title 59, Idaho Code. The 2000 session of the Idaho Legislature added a gain sharing feature to the PERSI plan by which excess assets in the DB plan are allocated to employees, employers and retirees. In 2000 the Retirement Board approved an allocation of \$155.381 million to gain sharing, with 50% to employers in the form of a credit against future contributions, 38% to employees in the form of a contributions to their personal 401 (k) account and 12% to retirees in the form of a 13th check paid in January of 2001.

As of July 1, 2000, the PERSI unfunded actuarial liability (UAL) continues to have accrued an excess of assets over liabilities of \$998.3 million excluding the 2001 COLA (\$51.7 million) and gain sharing distribution (\$155.381 million). In conformance with GASB Statement No. 25 the Actuarial Required Contribution (ARC) is 8.315% of pay and, according to GASB Statement No. 27, the Annual Pension Cost (APC) is equal to the ARC therefore the Net Pension Obligation is zero. After actuarial review, the PERSI Retirement Board determined the current schedule of contribution rates will meet the normal cost of the system as they accrue. The funded ratio of the PERSI system (assets divided by the actuarial accrued liability) is 116.5% as of July 1, 2000 before adjustments for COLA and gain sharing. The PERSI funded ratio after adjustments was 113% allowing for a sufficient reserve to absorb normal market fluctuations.

The employer contribution rate in effect on July 1, 2000 is 9.77% for General Members and 10.01% for Police Officer Members. With the exception of police and fire fighter members, the member contribution rate is 5.86% of salary. The employee contribution rate for police and fire fighters is 7.21% of salary.

The PERSI actuary has confirmed that the current schedule of contribution rates will meet the normal costs of the system as they accrue.

The Idaho State Insurance Fund

The Idaho State Insurance Fund (the "Fund") was created in 1917 by the Idaho State Legislature to insure employers against liability under the Workers' Compensation Act. The Fund is an independent body corporate politic and is to be administered without liability on the part of the State (Idaho Code Section 72-901). The money in the Fund does not belong to the State and is not in the State Treasury within the meaning of article 7, section 13 of the Constitution (State v. Musgrave, 84 Idaho 77, 370 P.2d 778 [1962]). It is deposited with the State Treasurer as custodian and is held by the Treasurer as such for the contributing employers and the beneficiaries of the compensation law and for the payment of the costs of the operations of the Fund. All public employers are required by law to obtain their workers' compensation insurance through the State Insurance Fund or self-insure (Idaho Code Section 72-301). Private employers may, at their discretion, also procure workers' compensation insurance from the Fund.

As of December 31, 2000, the Fund had a surplus (fund balance) of \$98 million. The Fund has no bonded debt.

The manager, who is hired by the Board of Directors, administers the Fund. The Board is appointed by the Governor. The manager of the Fund is also the trustee for the Idaho Petroleum Clean Water Trust Fund (the "Trust Fund"), a not-for-profit state entity created in 1990 by the legislature to indemnify tank owners and operators from petroleum storage tank releases. Statutorily, neither the Fund nor the State has any liability for the Trust Fund's obligations (Idaho Code Section 41-4904(7)).

As of December 31, 2000, the Trust Fund had fund balances of \$33.9 million. The unencumbered fund balance is \$29.5 million. The Trust Fund has no bonded debt.

OUTSTANDING DEBT OBLIGATIONS OF STATE MUNICIPALITIES

The State Treasurer's Office established and maintains the Idaho State Debt Repository (ISDR) under Idaho Code §67-1222, passed in 1989. The ISDR maintains current information about municipal offerings. This database is statewide in scope and maintains records on over 1,000 issuers.

TAX EXEMPTION

General. In the opinion of Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, Bond Counsel, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provided the requirements of the Code described in this section under the heading "Continuing Requirements" are complied with.

The Notes are not private activity bonds and interest on the Notes is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Notes is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion on any federal, state or local tax consequence arising with respect to ownership of the Notes.

Continuing Requirements. The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Notes, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Note proceeds and the facilities financed or refinanced with such proceeds, limitations on the investment of Note proceeds prior to expenditure and a requirement that excess arbitrage earned on the investment of Note proceeds be paid periodically to the United States. The Issuer has covenanted in the Note documents that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Issuer contained in the Note documents pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Notes for federal income tax purposes and, in addition, will rely on representations by the Issuer with respect to matters solely within the knowledge of the Issuer, which Bond Counsel has not independently verified. If the Issuer should fail to comply with the covenants in the Note documents or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Notes could become taxable from the date of delivery of the Notes, regardless of the date on which the event causing such taxability occurs.

Certain Federal Income Tax Consequences. The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular Note holders. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is 75 percent of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Notes, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax exempt obligations, such as the Notes.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15 percent of the sum of certain items, including the interest received on tax-exempt bonds, such as the Notes.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Notes.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations, such as the Notes, may be subject to a tax on excess net passive income.

In the opinion of Bond Counsel, interest on the Notes is exempt from present State of Idaho personal income taxation.

CONTINUING DISCLOSURE UNDERTAKING

The State has covenanted in the Plan of Financing that it will provide, in a timely manner, to the Municipal Securities Rulemaking Board (“MSRB”) or to each Nationally Recognized Municipal Securities Repository (“NRMSIR”) recognized by the Securities and Exchange Commission (“SEC”), notice of the occurrence of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financing difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Noteholders; (8) Note calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes; or (11) rating changes.

The State will also provide notice in a timely manner to the MSRB if the State has materially failed to comply with its disclosure undertakings. The State has never failed to comply with a prior written continuing disclosure undertaking made pursuant to SEC Rule 15c2-12.

The currently recognized NRMSIRs include Standard & Poor’s J.J. Kenny, 55 Water Street, 45th Floor, New York, New York 10041; Bloomberg Financial Markets, 100 Business Park Dr., Skillman, New Jersey 08558-3629; DPC Data, Inc., One Executive Drive, Fort Lee, New Jersey 07024; Interactive Data, 100 William Street, New York, NY 11038.

The continuing disclosure undertakings described above have been made for the benefit of the Noteholders. Noteholders may enforce specific performance of the undertakings by any available judicial proceeding. However, the failure of the State to perform the undertakings hereunder shall not constitute an event of default with respect to the Notes or result in monetary damages.

APPROVAL OF LEGALITY

The legal matters incident to the authorization, issuance and sale of the Notes and with regard to the tax exempt status thereof as described under the caption "Tax Exemption" are subject to the approving opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel. The form of the approving opinion of bond counsel is set forth in Appendix C to the Official Statement. Certain matters will be passed upon for the State by the Attorney General of the State.

RATING

Moody's Investors Service, Standard and Poor's Corporation and Fitch IBCA have assigned the 2000 Notes the rating of MIG-1, SP-1+, and F1+ respectively. An explanation of the significance of such rating may be obtained from the rating agency. The State has furnished certain information and materials with respect to the State and the Notes to the rating agencies. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

Banc of America Securities LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase all of the Notes from the State at a price equal to \$252,600,000, plus accrued interest, if any, and will re-offer the Notes at a price of \$252,787,500, plus accrued interest, if any. The Underwriter has advised the State that the Notes may be offered and sold to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the Official Statement and that such public offering price may be changed from time to time.

MISCELLANEOUS

All summaries herein of the provisions of the Constitution of the State of Idaho, acts of the State Legislature, other documents and instruments and of the Notes are made subject to all the detailed provisions and judicial interpretations thereof to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

All estimates and assumptions in the Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the State.

/s/

Ron G. Crane, State Treasurer

Dated:

APPENDIX A

SELECTED DATA ON THE STATE OF IDAHO

Idaho State Government

State Government in Idaho originates from the State Constitution adopted at the constitutional convention of August 6, 1889, and ratified by the people in November of the same year. Congress approved the Constitution and admitted Idaho to the Union on July 3, 1890.

The Executive Department

The Idaho Executive Department consists of seven constitutionally empowered elected officials-- Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction.

The Governor is vested with the "supreme executive power." He appoints department heads and members of boards and commissions. In extraordinary occasions, the Governor can convene special sessions of the Legislature. He gives final approval, by signing, of bills passed by the Legislature. He has the power to veto bills but must list his objections. The Legislature can override a veto by a two-thirds vote of each chamber.

The Lieutenant Governor presides over the State Senate and, when the Governor is absent from the State, serves as Acting Governor. In case of vacancy for any reason in the Governor's office, the Lieutenant Governor succeeds to that office.

The Secretary of State is primarily a ministerial official. He is the custodian of records, including those of corporations, and of the Great Seal of the State of Idaho. He is the State's Chief Election Officer and has administrative duties as a member of the Board of Examiners, the State Land Board, and State Board of Canvassers.

The State Controller, as Chief Accounting Officer, is responsible for the accounting records, and is the State's cash disbursement officer. He is also responsible for maintaining the statewide system of internal control procedures. He is the State Administrator of Social Security, a member of the State Land Board, ex officio Secretary of the Board of Examiners, and a member of the State Board of Canvassers.

As Idaho's Chief Financial Officer, the State Treasurer receives all State revenues and fees, and is cash manager and investor for all State revenues. The State Treasurer pays all State bills by redeeming State warrants, and is custodian of the Worker's Compensation Fund and the Public School Endowment Fund. The State Treasurer also is a member of the State Board of Canvassers, and serves as advisor to the Idaho Housing and Finance Association.

The Attorney General is the Chief State Legal Officer and represents State officers and agencies in legal matters. He must provide legal opinions in writing when requested by government officials. He is required to supervise all county prosecuting attorneys and to assist them in law enforcement if they so request. He is in charge of consumer protection laws and has jurisdiction to enforce State antitrust laws. He is a member of the Board of Examiners and the State Land Board.

The State Superintendent of Public Instruction is an ex-officio and voting member of the State Board of Education, the executive officer of the State Department of Education and advisor to school districts on all aspects of education. She also is a member of the Endowment Funds Investment Board and of the State Land Board and serves as ex-officio member of the State Library Board.

Description of Area

Idaho, located in the northwestern portion of the United States, is bordered by Washington, Oregon, Nevada, Utah, Wyoming, Montana and Canada. Idaho's land area consists of 82,751 square miles of varied terrain including prairies, rolling hills and mountains with altitudes ranging from 736 feet to 12,662 feet. The rugged beauty of the land and easy access to many outdoor activities such as boating, fishing, hunting and skiing help to make tourism and recreation a growing industry.

Although located in the arid West, Idaho has enormous water resources which have dominated its history and development and may prove equally important to its future. There are 26,000 miles of rivers and streams and more than 2,000 natural lakes. Three of Idaho's rivers--the Clearwater, the Kootenai and the Salmon--are more than half as large as the Colorado. The Snake River Plain Aquifer is one of the largest fractured basalt aquifers in the world. Equally important to quantity is the quality of Idaho's waters, which remains outstanding. The drop in elevation of rivers like the Snake allow valuable hydropower production, affording the State some of the lowest electricity rates in the nation.

Idaho enjoys a broad base of economic wealth ranging from extensive mining and timber resources to notably-productive agricultural lands which are benefited by a highly-developed series of man-made reservoirs and irrigation systems. More than four million acres are irrigated in the Snake River Basin, placing Idaho fourth in the nation for irrigated acreage.

Idaho traditionally has been an agricultural State. Livestock, beef, dairy cattle, and sheep are important to the economy, while the major crops of Idaho's farmers include potatoes, wheat, barley, sugar beets, peas, lentils, seed crops and fruit. Major manufacturing industries include food processing, forest products, phosphate processing, and electronics. Mining has played an important role in the development of the State with phosphate rock, silver, lead, zinc and molybdenum among the resources mined.

Boise Standard Metropolitan Statistical Area

There is only one Standard Metropolitan Statistical Area (SMSA) in Idaho and it includes all of Ada County. The Boise SMSA, located in the southwestern part of the State, has the largest population of any county in Idaho. The Bureau of Census estimated the population to be 403,817, as of 2000. Boise is the capital city of the State and is a center of activity for business and government.

Like the rest of the State, Ada County has a mild climate; yet it experiences four definite seasons during the year. Although the City of Boise itself is green with trees and other plants, the surrounding area is naturally desert-like and farmers must rely heavily on irrigation to maintain their crops.

The other 198 cities of Idaho are distributed throughout the State in a mixture of urban and rural areas which allow for a wide variety of lifestyles.

IDAHO ECONOMIC OVERVIEW AND OUTLOOK

Prepared by the College of Business and Economics, University of Idaho

Idaho Economic Overview and Outlook

Idaho's economy extended its record setting economic expansion through 2000, and is expected to continue to enjoy economic growth, albeit with some moderation in its rate of growth. Personal income in current dollars will increase more than 6% per year through the forecast period. With a low inflation rate, real income growth is expected to be above 4% rate, and real per capita income will post 3% gains for the next three years. The income increases come from both rising wages and significant employment gains. Total wage and salary payments accelerated from 5.0% growth rate in 1996 to 9.1% growth rate in 2000. That pace of growth will slow in the near term, but is expected to be 6% or better for the next 4 years. Total employment in Idaho increased to 600,000 in 1997, jumped to 619,200 in 1998, surpassed the 630,000 for 1999, and set another record high of over 640,000 in 2000. Non-farm employment expanded 3.6% to more than 558,000, holding the annual average unemployment rate to 4.5% in 2000. Total employment is forecast to continue increasing at an average annual rate exceeding 2.4 % for the three next years, primarily driven by growth in high technology firms and the service producing sectors. The state's average annual unemployment rate will hold at 5% for those years, even though significant employment declines are expected to continue in the natural resource based industries.

Although the state's economic growth is continuing, net migration to Idaho will slow from recent relatively high levels. Population growth peaked at 3% during the 1992-1994 time period, and has since continuously slowed to about half that rate. The population growth rate will stabilize at 1.3% for the next three years causing the pressures on housing prices to moderate, and a decline in housing starts. Housing starts declined during 1995-1997 time period, then turned around and exhibited very strong growth from 1998 to 2000. For the 2001 through 2003 time frame, significant declines in housing starts are expected, with the strongest downward trend being in multiple family unit market. Personal income growth and low mortgage rates are largely responsible for the growth spurt in the housing markets.

A Tale of Two Surpluses

Idaho's 15 years of strong economic performance resulted in significant increases in personal and corporate income, and increases in taxes paid by Idaho residents. With the state's tax revenue growth paralleling income growth, the state has enjoyed budget surpluses one year after another. The budget surplus for fiscal 1999-2000 was \$112.8 million above official estimates. The latest estimates put the surplus at more than \$330 million. The series of state budget surpluses prompted a \$117 million reduction in taxes by the state legislature, along with several increases in spending that will put the state's at almost \$2 billion for the next fiscal year. Infrastructure in the state continues to benefit from the continuing budget surpluses. The nation's budget surplus will result in a tax reduction somewhere between the \$1.6 trillion proposed by President Bush and the \$1.2 trillion countered by the Senate. It appears that even with a tax cut there will be \$2 trillion reduction in national debt. What all of this means is that additional dollars will make it to

consumers' budgets, which should stimulate economic growth and finance an increase in consumer spending. Although economists might argue about how this will translate to increases in final demand, they will all agree that the two tax cuts for Idahoans will stimulate the Idaho economy, mitigating any recessionary pressures.

For the last six years for the State Insurance fund reduced its employer paid workmens' compensation premium because of funding surpluses precipitated by declining claims. Now, the \$7 billion Idaho Public Employees Retirement System fund has earned a \$285 million surplus over the last two fiscal years and is expected to enjoy \$140 million more than its target level in the 2001-2002 fiscal year. The net results of this continuing surplus are potential augmentations of public school funding, new retirement accounts for current participating employees, and an extra paycheck to current retirees. This is yet another case of a budget surplus enhancing public school funding and expanding Idahoans' market demand for goods. The net result is an expansionary effect on the state's economy.

Recently, Governor Kempthorne discussed the expansion of state government employment during his administration. The pressures of population growth, a concentration of that population growth in urban areas, and the availability of funding all contributed to the growth in the state government. A factor offsetting the growth in government employment is the reduced need for staff to handle the case load for the state's social safety net. With its new social programs, there has been a significant decline in the numbers of families receiving Temporary Assistance for Families in Idaho. Idaho earned a \$1.5 million performance bonus by being first among the 48 states applying for the bonus because its job entry rate of achieved a 78% level. Clearly, the growth of the economy contributed to the job creation that absorbed these additional workers. Overall growth in state and local government employment was at rates exceeding 3% in 1998 and 1999, slowing to a 2.6% growth rate in 2000. State and local government employment will increase at a 1.3% rate for the 2001 to 2004 forecast period. The growth rate in the education sector's employment will continue to exceed the overall increases in state and local government employment by 0.5% for the next four year.

Federal government employment in Idaho is primarily driven by the policies of the Department of Agriculture, and its Forest Service. In the last decade the year to year changes in federal government employment in Idaho has been either a decline or fractional increase. Although there was a spike in federal government employment for 2000, it is expected to return to pattern of declines or marginal increases through 2004. If there is a change in forest policy, future federal employment in the state will post a stronger increase, however, the new administration is not expected to significantly alter forest policy. Moreover, the Bush administration is proposing a farm bill that will further restructure farm policy toward less government intervention, and thus less need for federal employees in the state.

The Meaning of a Low Moisture Winter

For much of the state, few snowstorms came this winter, but what snow came stayed on the ground for a very long time. This was a plus for the winter recreation industry, but because of these climatic conditions there was little in the way of moisture available for the spring runoffs that refill the reservoirs. Overall moisture for this water year is coming in at levels corresponding to the record dry year of 1977, and stream flows are being projected to be between 50 to 74% of normal. The upper Snake River dams are currently at 65% of capacity, while the Boise dams are at 49% of capacity and the Payette system is at 57% of capacity. What this means for Idaho is

less water for agricultural crops, less potential for hydroelectric power, problems for the salmon recovery programs, and less summer tourism derived from recreation uses of rivers and reservoirs.

After three consecutive years of near record wheat production, Idaho's winter wheat seedings for the 2001 crop year are down 3%. Nationally, seedings are down 5%, a response to the large storage carryovers of the recent past, and prices below production costs. For 1998 and 1999 wheat prices were seldom outside the \$2.60 and \$2.80 per bushel range, well below production costs. With wheat stocks beginning to decline, seedings down, and lower water availability, prices should exceed cost this year. In 2000, a record potato crop pushed prices down while stocks were up 15% over a year earlier. In an effort to reduce stocks, Idaho farmers donated 15 million pounds of potatoes to America's Second Harvest, a Chicago based network of food banks. With stocks being reduced, and a potentially smaller crop due to low moisture, potato prices should improve. A blow for Idaho's agricultural sector was AgriBioTech Inc. filing for Chapter 11 bankruptcy. Idaho grass seed growers who hold contracts with the company stand to lose millions of dollars if the company fails to pay the balances owed to the growers.

On the plus side of the equation for Idaho's agricultural sector is a booming export market for wheat, barley, peas and lentils. Taiwanese flour millers signed an agreement to purchase 55 million bushels of wheat from the United States, which is as much as one quarter of the purchases of this crop. In the past, Taiwan purchased about 5 million bushels of soft white wheat, and 30 million bushels of hard red wheat from Northwest growers. The Asian countries increased purchases of barley pushed exports up 122%. Prices for feed barley went from \$87 per ton to \$107 per ton, and malting barley rose to \$132 per ton from \$112 per ton in early January 2001. For the pea and lentil markets, The Philippines, Peru, India and Mexico are Idaho's best customers, importing almost 27,000 metric tons of the legumes. Governor Kempthorne's planned visits this year to the state's trade mission in Mexico could easily result in an even brighter picture for Idaho's exports, as it did with his previous visits.

Another bright spot for Idaho's agricultural sector is the beef market. After two decades of decline, the U.S. demand for beef turned around two years ago and has since increased 6.7%. Prices rose 10.3% from December 1999 to 2000, and are expected to continue to increase through 2001. Although the number of cattle on feedlots is up 7%, the cattle industry's overall inventory is down from last year. Declining supply, coupled with increases in demand, characterize current market conditions. With the December price for beef at \$75/cwt, the 1996 price of \$46.70/cwt is a distant bad memory for the industry.

The future of the salmon, and the four dams on the lower Snake River, became more difficult to predict this winter because of the energy crises that started in California and spread throughout the Northwest. Policies on "saving the salmon" require regulation of water flow, barging juvenile fish down the Columbia River, and water quality standards. Dissolved oxygen water quality and river flows are tied to energy production. Moreover, energy needs, and river flushing for the salmon, cause time specific reservoir drawdowns. The necessity to divert Snake and Clearwater River reservoir waters from its other uses to maintain minimum flows for salmon and electric energy production has implications for all of the reservoirs in the Columbia and Snake River drainage, and for agriculture, tourism and other water based recreation activities.

Industry Conditions: The Good and the Bad.

Last year's 3.6% growth in non-farm employment breaks down into a 2.7% increase in the goods producing sector's employment, and 4% more jobs in the service sector. This pattern of employment gains, the larger service sector generating jobs at a faster rate than the goods producing sector, has dominated the 15 years of expansion in Idaho's economy. That employment growth pattern will continue through 2003. Although the high tech sector is expected to post strong employment gains, the remaining goods producing industries will lag far behind. The forest and mining industries are expected to continue their declines, and food processing will post modest gains in employment. The service sector's employment, which has averaged better than 3% per year growth during the expansion, will slow to about a 2.5% rate of growth for the next three years. The overall growth rate for the service producing industry's employment will be a full percent point better than the goods producing sector in 2001, but will generate more than 80% of the non-farm jobs in 2001 through 2004. One of the faster growing service sector market segments, and one of the most geographically diverse, are call centers. Current estimates put last year's total employment in call centers in the state at 10,600.

Economic Changes for High Technology Firms

According to an American Electronics Association study, Idaho is the nation's fastest growing high technology state. The high tech industries' employment grew 51% from 1993 to 1998, and with 11,100 jobs Idaho ranks sixth in the nation for semiconductor manufacturing. Much of this activity is located in the Boise-Nampa area. For every 1,000 jobs in the metro area, 112 work in high tech industries. Micron recovered from the problems generated by last year's low dynamic random access chip prices to record profits exceeding expectation in the first three quarters of its fiscal year. The company reported \$777.5 million in net income or \$1.23 per share on \$4.8 billion in sales. Micron is spending \$200 million to expand its Boise research facilities and will be adding 500 more employees. Last year Hewlett-Packard sold its circuit board operations in the Boise area to Jabil Circuit, Inc. This year Jabil announced a 98,000 square foot expansion to its Idaho facility, and is expected to increase employment by 800 to 1,700 by the end of 2001. Overall, employment growth in high tech firms is expected to post a 9.0% increase in 2001, and employment growth is expected to be 6% in 2002 through 2004.

The news from the Idaho National Engineering and Environmental Laboratory continues to be mixed. Last year, Anne Roberts, Economic Development Director for Bechtel BWNXT the new prime contractor at INEEL, announced a \$1.4 million capital set aside for development projects at the site. Then INEEL won a fusion study project over three competitors, a project that is expected to increase spending by \$2 million to \$3 million per year of the project's life. Bad news came when the Environmental Protection agency cited the facility for violations, and when delays developed in the removal of nuclear wastes from the site.

Recreation and Tourism

Portions of the trade, amusement, recreation, eating and drinking establishments, and hotels comprise the tourism industry. Our proximity to Utah, which is hosting the 2002 Winter Olympics, should benefit the south Idaho economy. Tourism, one of the fastest growing segments of the service sector economy, can expect some spill over benefits of the \$150 million plus overall economic impact of the games. Olympics' tourism will augment the top tourist attractions for the state, which are Grand Teton and Yellowstone Parks, the Sawtooth National Recreation Area, and Lake Coeur d'Alene. From 1969 to 1999 the number of visitors to those

areas rose from 20.5 million to 24 million, pushing tourism revenue from \$1.5 billion to \$2.1 billion. Travel generated employment in 1999 for the state exceeded 25,000 jobs, with a payroll approaching \$300 million. Last year, the tourism industry posted a 4% growth rate, a rate that should increase to 4.5% for the 2001-2002 fiscal year.

One of the attractions of Idaho for tourists is that it continues to be a bargain in today's market. Idaho ranked 41st in the nation with an average daily cost of lodging and food at \$118. The national average for the two adult-two child family was \$25 more. In the state surrounding Idaho, the costs were significantly higher; Nevada came in at \$231, Washington at \$216, Oregon at \$214, and Wyoming at \$195. Montana was tied with Idaho for the area's lowest cost.

Meanwhile, Tribal gaming continues to develop with all but one tribe in the state joining the industry, attracting numerous visitors to Idaho. The 1,600 member Coeur d'Alene Tribe shared nearly \$1 million of its casino's profit with area's schools this year. Previous tribal grants to school districts range from \$6,000 to the Plummer School District to \$849,000 to schools and libraries. Investment to its casino complex continued last year, with the completion and opening of its 100 room hotel and convention center. In the Lewiston area, the Nez Perce Tribe added an RV park to its Clearwater River Casino facilities, and is in the planning stage for an expansion of their gaming facility and a hotel-restaurant facility. The Nez Perce Tribe's casinos provide more than 568 jobs and almost \$8 million of increased earnings to area residents last year. The benefit to the state includes a stronger economic performance by the service sector, and a continuation of growth in travel and convention tax receipts, which increased 6.5% in 2000, following on a 7.25% in 1999.

Food Processing

The food processing sector's employment had a general downward trend, and a net loss of almost 1,300 jobs, for the six year period ending in 1999. With plant closures, and companies restructuring and realigning operations, the negatives out weighed the positives for this industry group. J.R. Simplot, Ore-Ida, Heinz, and Weight Watchers all experienced employment reductions during this period. On the plus side of the equation, processing of the dairy industry's products, a thriving portion of the agriculture sector, has contributed employment gains to the food processing industry. The dairy industry produced milk valued at \$840 million in 1999, up from \$360 million in 1990. Milk products used for cheese production increased over 40% during that period. Westfarm Foods opened their milk condensing in Jerome last year, and Glanbia completed its \$33 million expansion of its Gooding cheese processing plant.

Overall food processing employment should increase between 1% and 2% in each of the years through 2004. Food-processing in the canned, cured and frozen, and other food processing sub-sector should turn around during this period. After seven years of decline, the canned, cured and frozen market segment is expected to experience rates of growth approximately equaling the total food processing sector's employment growth performance.

Mining and Forest Products

Idaho's traditional natural resource based industries, mining and forestry, endured more setbacks recently. Not too long after the Beartrack mine closed with the finish of its 7-year projected life, the Boise based Sunshine Mine and Refining Co. closed its antimony plant because of low prices. Shortly thereafter the company filed for Chapter 11 reorganization. Early this year and after 12 years of depressed silver prices, the mine and refining company shutdown the Sunshine mine near Kellogg idling 250 employees. The three remaining major mines in the area, the Lucky Friday, Galena, and Coeur are experiencing financial difficulties because of low metal prices and

rising environmental regulation costs. Metal mining employment is expected to decline steadily and approach the 1,100 level by 2004, the level of employment for the other mining portion of the industry. The only bright spot on the horizon is the interest being shown by Alchemy Ventures Ltd. of Richmond British Columbia in developing a kaolin clay mining operation in Latah County in northern Idaho.

With 9,322,000 acres of national forests impacted by former President Clinton's roadless areas policies, it was not surprising to see early fallout from this policy. Last year good news was Potlatch Corp. was planning to build a new small log facility at Bovil, Louisiana Pacific upgraded its Chilco sawmill, and US Timber reopened its Craigmont Mill. As the year progressed Potlatch permanently closed its plywood mill at Pierce idling 250 employees, had a series of 2 to 3 week temporary closures at its Lewiston mill, and instituted employment reductions at its St. Maries facility. Louisiana Pacific was also forced by last year's market conditions to have temporary closures at its Chilco plant, as did Shearer Lumber did at its Elk City plant. Adding to the bad news in this industry were the closures of a Coeur d'Alene sawmill by Crown Pacific Ltd. and the Regulus stud mill in St. Maries, causing a total of 180 jobs lost. As if last year's bad news never wanted to end, Boise Cascade closed its Emmett and Cascade mills adding 375 to the jobless roles in the state.

There were some mitigating factors for the communities hit by these economic events. After declining from 1998 to 1999, timber payments to communities increased when former President Clinton signed a bill authored by Senators Craig of Idaho and Wyden of Oregon. Idaho County is slated to receive \$4.8 million, and Clearwater County will get \$1.2 million, for a total net increase of over \$4 million, double what they lost in last year's payment cuts. Furthermore, the state received \$1.1 million grant from the U.S. Department of Labor to assist the impacted communities' economic development, and for laid off employee retraining and job search.

The future for the forest industry is difficult to predict because forest policy is expected to change with the new President's administration. It is likely that some of the forest use rules will change to allow larger harvests. On another note, the 1996 Canadian timber quota agreement is ended March 31. With imports of timber products no longer limited by the agreement to 1/3rd of the US market or \$7 billion, the Canadians are expected to substantially increase their exports and impact US companies' economic performance. When all factors are considered, overall employment for forest products industries is projected to decline at an average annual rate of 3% for the next four years. This rate of decline matches the average rate of employment decline experienced since 1995. Total employment in this industry will approach 11,000 by 2004, for a net loss of 30% of the jobs in the industry from the mid-90's level

A positive factor for resource base industries was the re-opening of the Rayonier Mill in Plummer. In a joint venture involving the Coeur d'Alene Tribe, and with the assistance of \$1.6 million grant from the EDA, the plant produces particleboard made from straw residue. The plant will use straw from the blue grass fields for particleboard, benefiting the environment by a reduction in fall field burning. Moreover, parts of the plant site will be developed into an industrial park.

Construction

Construction employment is primarily dependent on the direct and indirect demands of households. Housing starts are the direct component, with the indirect component being business demand for space, and businesses depend on overall consumer spending for their products.

Today's demand for housing is sensitive to mortgage rates, stock market volatility and savings/wealth uncertainty, slowing personal income and employment growth, and the general state of consumer confidence. Of late, consumer confidence has been somewhat unstable because of the fear that the nation's short-term economic future containing a rather rough landing. Although housing starts have declined, they remain above historic averages. On the supply side of the housing markets is the current housing stock, and construction costs. Housing sales in Ada and Kootenai Counties, two of the hottest housing market, were up 2.9 and 1.4% respectively. Boise's vacancy rates for apartments and office space declined to 2.2% and 9.2%, while industrial building vacancies stood at 3.7%.

The building boom in Idaho that began in 1989, and is continuing to yield housing starts that are three times as large as the 1988 level, and more than twice the size of the first boom year of 1989. Although new housing starts have been declining since 1996, they remain at or above the level for the first half of the 1990's. The weakest segment of the market measured by housing starts is multiple units, which are expected to decline at a double digit pace. Idaho's construction industry should continue to enjoy a relatively high employment levels, albeit with employment holding steady or declining slightly for the period of 2001 to 2004. Given the fiscal and monetary policies being pursued at the national level, and tax cuts at the state level, personal income and employment growth should turn around toward the end of 2001-beginning of 2002. Construction employment will hover around the 35,000 jobs for the 2001 through 2004.

In other construction industry news, Morrison Knudsen Corp. was renamed the Washington Group International Inc., after the Missoula industrialist Dennis Washington, the person who rescued the company from bankruptcy four years ago. The international construction company's 38,000 employees will be augmented by the acquisition of the Kentucky based Raytheon Engineers and Contractors for \$53 million. The Washington group has more than \$5 billion in annual revenues, and a backlog of \$6.6 billion in project revenues before the purchase.

Summing Up

What lies ahead for the Idaho economy in the near term is a continuation of the pattern of slowing growth as compared to recent state history, but stronger than the state's historic average and the nation's growth. The service and high technology sectors will outperform the other industries in the state economy. The sources of strength in the service sector are the trade, and business and personal services industries. These service sector industries are expected to post employment growth rates at or in excess of 3% for the next three years. The goods producing sector's best performer will be the electrical and non-electrical manufacturing industries, with employment expanding toward 32,500 in 2004 from its current level of 24,500. As Idaho enters the next year of economic expansion, real per capita income is expected to post gains in excess of 3% per year for the next four years. The average annual wage should grow at a 4.5% pace over that time period, and unemployment will be just above 5%. The rapid increases in employment and income experienced in the early to mid 1990's will moderate, however the strong performance of the economy that made Idaho one of the five fastest growing states in the nation will continue. Idaho entered the new millennium however one chooses the starting date with a restructured economy, and as its high technology and service economics prosper, so will the state.

TABLE 14
State of Idaho
Labor Force & Non-Agricultural Wage & Salary Employment Annual Averages

LABOR FORCE DATA-PLACE OF RESIDENCE (PEOPLE)	2000*	1999	1998	1997	1996	Percent Change From	
						1999-2000	1996-2000
Civilian Labor Force	658,000	655,272	653,768	632,934	617,193	0.40%	6.60%
Unemployment	32,000	33,913	32,875	33,805	32,320	-5.60%	-1.00%
Percent of Labor Force Unemployed	4.90%	5.2%	5.0%	5.3%	5.2%	-6.50%	-6.50%
Total Employment	626,000	621,359	620,893	599,129	584,873	0.70%	7.00%
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT (JOBS)**							
Total Nonagriculture Wage & Salary Employment	560,023	539,169	521,777	508,564	493,922	3.90%	13.40%
Goods Producing Industries	115,348	113,581	111,239	109,438	106,583	1.60%	8.20%
Mining	2,476	2,579	2,902	3,087	3,067	-4.00%	-19.30%
Metal Mining	1,255	1,425	1,692	1,865	1,850	-11.90%	-32.20%
Construction	36,047	34,881	32,261	31,906	30,608	3.30%	17.80%
Manufacturing	76,825	76,112	76,075	74,446	72,909	0.90%	5.40%
Durable Goods	47,667	47,137	47,135	45,318	44,103	1.10%	8.10%
Lumber & Wood Products	123,372	13,400	13,677	14,047	14,483	-7.70%	-14.60%
Logging	2,114	2,423	2,478	2,480	2,096	-12.80%	-27.30%
Sawmills & Planing Mills	4,704	4,753	5,085	5,353	5,371	-1.00%	-12.40%
Wood Buildings & Manufactured Homes	1,283	1,689	1,593	1,538	1,515	-24.00%	-15.30%
Other Lumber & Wood Products	4,271	4,535	4,521	4,677	4,691	-5.80%	-9.00%
Stone, Clay, Glass & Concrete Products	1,456	1,504	1,404	1,388	1,421	-3.20%	2.50%
Fabricated Metal Products, exe. Machinery & Trans. Eqpmnt	3,033	3,026	2,949	3,087	2,921	0.20%	3.80%
Industrial & Commercial Machinery & Computer Eqpmnt.	10,405	10,188	10,947	10,775	10,265	2.10%	1.40%
Electric & Electronic Equipment & Supplies	14,213	12,962	12,360	10,901	9,998	9.70%	42.20%
Transportation Equipment	2,453	2,461	2,426	2,156	2,243	-0.30%	9.30%
Other Durable Goods	3,736	3,597	3,372	2,964	2,774	3.90%	34.70%
Nondurable Goods	29,158	28,984	28,941	29,128	28,806	0.60%	1.20%
Food & Kindred Products	17,166	17,287	17,284	17,784	17,462	-0.70%	-1.70%
Canned, Frozen & Preserved Foods, Vegetables	9,667	9,956	9,993	10,542	10,676	-2.90%	-9.40%
Paper & Allied Products	2,231	2,255	2,270	2,186	2,169	-1.10%	2.90%
Printing, Publishing & Allied Products	5,404	5,139	5,172	4,990	5,023	5.20%	7.60%
Chemicals & Allied Products	2,316	2,300	2,356	2,294	2,330	0.70%	-0.60%
Other Nondurable Goods	2,040	2,003	1,859	1,874	1,822	1.90%	12.00%
Service Producing Industries	444,675	425,588	410,539	399,126	387,338	4.50%	14.80%
Transportation, Communication & Utilities	27,907	26,896	25,471	23,970	23,409	3.80%	19.20%
Transportation	17,364	17,036	16,541	16,045	15,891	1.90%	9.30%
Railroad	1,453	1,465	1,477	1,582	1,738	-0.80%	-16.40%
Motor Freight Transportation & Warehousing	10,251	9,959	9,634	9,191	9,042	2.90%	13.40%
Communication	6,564	5,900	4,961	3,914	3,647	11.20%	80.00%
Electrical, Gas & Sanitary Services	3,979	3,960	3,970	4,011	3,871	0.50%	2.80%
Trade	141,877	136,266	132,517	128,655	125,173	4.10%	13.40%
Wholesale Trade	33,092	32,193	30,861	29,891	28,984	2.80%	14.20%
Durable Goods	15,474	14,573	14,148	13,736	13,248	6.20%	16.80%
Nondurable Goods	17,618	17,620	16,713	16,155	15,737	0.00%	12.00%
Retail Trade	108,795	104,074	101,656	98,765	96,189	4.50%	13.10%
Bldg Materials, Hardware, Garden Supplies, etc.	6,663	6,435	6,049	5,723	5,835	3.50%	14.20%
General Merchandise Stores	12,667	11,337	11,209	11,007	10,482	11.70%	20.80%
Food Stores	19,753	19,154	18,414	17,947	16,916	3.10%	16.80%
Auto Dealers & Gas Service Stations	12,063	11,985	11,836	12,001	12,273	0.70%	-1.70%
Eating & Drinking Places	37,772	36,227	35,680	34,145	33,601	4.30%	12.40%
Finance, Insurance & Real Estate	23,584	23,558	22,946	25,398	25,183	0.10%	-6.40%
Banking	7,279	7,415	7,289	7,359	7,733	-1.80%	-5.90%
Service & Miscellaneous	142,839	135,782	126,982	121,825	115,808	5.20%	23.30%
Hotel & Other Lodging Facilities	8,288	8,409	8,182	8,215	7,983	-1.40%	3.80%
Personel Services	4,324	4,185	4,062	3,939	3,823	3.30%	13.10%
Business Services	28,867	24,891	21,850	20,029	17,776	16.00%	62.40%
Amusement & Recreation Services	6,943	6,897	6,184	6,241	5,837	0.70%	18.90%
Health Services	35,755	34,205	33,598	31,845	30,881	4.50%	15.80%
Hospitals	11,614	11,191	10,924	10,480	10,146	3.80%	14.50%
Engineering Management Services	17,862	16,454	15,706	14,906	14,614	8.60%	22.20%
Government	108,459	103,085	102,624	99,278	97,765	5.20%	10.90%
Federal Government	14,063	12,836	12,799	12,705	13,242	9.60%	6.20%
State & Local Government	94,395	90,249	89,825	86,573	84,523	4.60%	11.70%
State Government	28,118	27,637	26,968	25,656	25,728	1.70%	9.30%
Education	13,219	12,689	12,469	11,960	12,149	4.20%	8.80%
Administration	14,899	14,948	14,499	13,696	13,579	-0.30%	9.70%
Local Government	66,277	62,612	62,857	60,917	58,796	5.90%	12.70%
Education	37,126	36,675	35,449	34,933	33,604	1.20%	10.50%
Administration	29,151	25,937	27,408	25,984	25,192	12.40%	15.70%

*Preliminary Estimate
**Estimates include all full- or part-time wage and salary workers who worked or received pay in the following industry groups during the pay period ending the 12th of the month.
Source: Department of Labor

TABLE 15
State of Idaho
Non-Agricultural Wage & Salary Employment - By Place of Work

	December 2000*	November 2000	December 1999	Percent Change Last Month	Last Year
Total Non-Agriculture Wage & Salary Employment**	569,574	571,549	550,700	-0.3%	3.4%
GOODS-PRODUCING INDUSTRIES	114,607	117,321	115,200	-2.3%	-0.5%
<i>Mining</i>	2,452	2,519	2,500	-2.7%	-1.9%
Metal Mining	1,204	1,199	1,400	0.4%	-14.0%
<i>Construction</i>	35,640	37,492	35,600	-4.9%	0.1%
<i>Manufacturing</i>	76,515	77,310	77,100	-1.0%	-0.8%
Durable Goods	47,466	47,767	47,800	-0.6%	-0.7%
Lumber & Wood Products	11,414	11,834	13,400	-3.6%	-14.8%
Logging	2,041	2,198	2,500	-7.2%	-18.4%
Sawmills & Planing Mills	4,364	4,394	4,800	-0.7%	-9.1%
Wood Buildings & Mobile Homes	1,072	1,121	1,500	-4.4%	-28.5%
Other Lumber & Wood Products	3,937	4,121	4,600	-4.5%	-14.4%
Store, Clay, Glass & Concrete Products	1,492	1,518	1,500	-1.7%	-0.5%
Fab. Structure Metal Products	3,041	3,050	3,100	-0.3%	-1.9%
Industrial & Commercial Machinery	10,501	10,492	10,600	0.1%	-0.9%
Electric & Electronic Equipment & Supplies	15,088	14,885	13,100	1.4%	15.2%
Transportation Equipment	2,232	2,300	2,400	-3.0%	-7.0%
Other Durable Goods	3,698	3,688	3,700	0.3%	-0.1%
Nondurable Goods	29,049	29,543	29,300	-1.7%	-0.9%
Food & Kindred Products	17,005	17,510	17,300	-2.9%	-1.7%
Canned, Frozen & Preserved Foods	9,293	9,465	9,900	-1.8%	-6.1%
Paper & Allied Products	2,173	2,162	2,300	0.5%	-5.5%
Printing, Publishing & Allied Products	5,556	5,536	5,200	0.4%	6.8%
Chemicals & Allied Products	2,307	2,299	2,200	0.3%	4.9%
Other Nondurable Goods	2,008	2,036	2,300	-1.4%	-12.7%
SERVICE-PRODUCING INDUSTRIES	454,967	454,288	435,500	0.2%	4.5%
<i>Transportation, Communication & Public Utilities</i>	28,091	28,373	27,300	-1.0%	2.9%
Transportation	17,514	17,751	17,200	-1.3%	1.8%
Railroad	1,440	1,440	1,500	0.0%	-4.0%
Motor Freight Transportation & Warehousing	10,200	10,443	10,000	-2.3%	2.0%
Communication	6,710	6,618	6,100	1.4%	10.0%
Electrical, Gas & Sanitary Services	3,867	4,004	4,000	-3.4%	-3.3%
<i>Trade</i>	147,775	146,700	139,900	0.7%	5.6%
Wholesale Trade	33,897	33,904	32,700	0.0%	3.7%
Durable Goods	15,890	15,795	14,800	0.6%	7.4%
Nondurable Goods	18,008	18,109	17,900	-0.6%	0.6%
Retail Trade	113,877	112,796	107,200	1.0%	6.2%
Bldg Materials, Hardware, Garden Supplies, etc.	6,472	6,599	6,300	-1.9%	2.7%
General Merchandise Stores	15,399	15,112	12,300	1.9%	25.2%
Food Stores	20,174	20,140	19,800	0.2%	1.9%
Automotive Dealers & Gasoline Service Stations	12,004	12,112	12,200	-0.9%	-1.6%
Eating & Drinking Places	37,780	37,558	35,800	0.6%	5.5%
<i>Finance, Insurance & Real Estate</i>	23,779	23,662	23,700	0.5%	0.3%
Banking	7,267	7,252	7,400	0.2%	-1.8%
<i>Services</i>	145,368	144,911	135,900	0.3%	7.0%
Hotel & Other Lodging Facilities	7,834	7,519	7,800	4.2%	0.4%
Personal Services	4,317	4,261	4,300	1.3%	0.4%
Business Services	30,661	30,601	26,200	0.2%	17.0%
Amusement & Recreation Services	6,395	5,698	5,700	12.2%	12.2%
Health Services	36,566	36,337	35,100	0.6%	4.2%
Hospitals	11,724	11,667	11,200	0.5%	4.7%
Engineering Management Services	18,466	18,776	17,100	-1.6%	8.0%
<i>Government</i>	109,954	110,582	108,700	-0.6%	1.2%
Federal Government	12,820	13,354	12,200	-4.0%	5.1%
State & Local Government	97,134	97,228	96,500	-0.1%	0.7%
State Government	28,646	28,864	29,200	-0.8%	-1.9%
Education	14,148	14,367	15,500	-1.5%	-8.7%
Administration	14,498	14,497	13,700	0.0%	5.8%
Local Government	68,488	68,364	67,300	0.2%	1.8%
Education	39,563	39,614	37,500	-0.1%	5.5%
Administration	28,925	28,750	29,800	0.6%	-2.9%

*Revised Estimate

Estimates include all full- or part-time wage and salary workers who worked for or received wages in the pay period including the 12th of the month.
Prepared by Research & Analysis in cooperation with the U.S. Bureau of Labor Statistics.

TABLE 16
State of Idaho
Agricultural Employment Estimates

	December 2000	November 2000	December 1999	Percent Change	
				From Last Month	From Last Year
Total Agricultural Employment	27,910	30,990	27,270	-9.9%	2.3%
Operators & Unpaid Family	9,420	9,490	9,010	-15%	2.5%
Hired Workers	18,490	21,500	17,860	-14.0%	3.5%

Source: Idaho Department of Employment, Research & Analysis Bureau

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TABLE 17
Idaho's Largest Employers (Excluding Government)

<u>FIRM NAME</u>	<u>DESCRIPTION</u>	<u>RANGE</u>
Albertson's, Inc.	Food Retailer	Over 5,000
Bechtel B & W Idaho	Nuclear Eng/Enviro Research	Over 5,000
Micron Technology	Memory Devices/Semiconductors	Over 5,000
Hewlett Packard Company	Laser Printers	3,000-5,000
J.R. Simplot Company	Food Proc., Fertilizer, Chem., Mfg.	3,000-5,000
Potlatch Corporation	Paper and Wood Products Manufacturer	3,000-5,000
Boise Cascade Corporation	Wood Products and Paper Manufacturer	1,500-3,000
First Security Bank of Idaho	Banking Service Provider	1,500-3,000
Fred Meyer Inc.	Department Store/Food Retailer	1,500-3,000
Micronpc.com (Micron Electronics, Inc.)	Computer Manufacturing & E-Services	1,500-3,000
St. Alphonsus Regional Medical Center	Health Care Provider	1,500-3,000
St. Lukes Reg. Med. Ctr./Mtn Sts. Tumor Institute	Health Care Provider	1,500-3,000
Wal Mart	Department Store	1,500-3,000
Amalgamated Sugar Company	Food Processor	1,000-1,500
American Microsystems, Inc.	Semiconductors	1,000-1,500
Basic American Foods, Inc.	Food Processor	1,000-1,500
Coldwater Creek Inc.	Retail Mail-Order Seller	1,000-1,500
Eastern Idaho Regional Medical Center	Health Care Provider	1,000-1,500
Hagadone Corporation	Hotel/Restaurant Manager/Publishing	1,000-1,500
K Mart Corporation	Department Store	1,000-1,500
Kootenai Medical Center	Health Care Provider	1,000-1,500
Lamb-Weston, Inc.	Food Processor	1,000-1,500
MCMS	Assembly and Fabricating Service	1,000-1,500
Melaleuca, Inc.	Cosmetics, Vitamins, Soaps	1,000-1,500
Sear's Boise Reg. Credit Card Operations Center	Credit Call Center	1,000-1,500
Shopko Stores, Inc.	Department Store	1,000-1,500
Sun Valley Company	Recreation/Hotel Manager/Real Estate Developer	1,000-1,500
DirecTV	Call Center	1,000-1,500
US Bancorp (US Bank)	Banking Service Provider	1,000-1,500
Union Pacific Railroad	Rail Transporter	1,000-1,500
Woodgrain Millwork, Inc.	Wood Products Manufacturer	1,000-1,500
Argonne National Laboratory	Nuclear Researcher	500-1,000
Armour Fresh Foods, Inc.	Food Processor	500-1,000
Artco-Art Porter	Printer	500-1,000
Bannock Regional Medical & Geriatric Center	Health Care Provider	500-1,000
Blount, Inc. (Omark)	Ammunition Manufacturer	500-1,000
Blue Cross of Idaho health Service	Insurance Services Provider	500-1,000
Evangelical Lutheran Good Samaritan Society	Health Care Provider	500-1,000
Intermountain Healthcare, Inc.	Health Care Services Manager	500-1,000
JC Penney Co., Inc.	Department Store	500-1,000
Jibil Circuit, Inc.	Printed-Circuit Assembly	500-1,000
Key Bank of Idaho	Banking Service Provider	500-1,000
Kimball International/Harpers	Furniture Manufacturer	500-1,000
Kit Manufacturing Co., Inc.	Trailer Manufacturer	500-1,000
Magic Valley Reg. Medical Center	Health Care Provider	500-1,000
McCain Foods USA	Food Processor	500-1,000
McDonald's-Darmody Enterprises	Quick-Service Restaurant	500-1,000
Mercy Medical Center	Health Care Provider	500-1,000
Nez Perce Tribe	Business Services Management	500-1,000
Nonpareil Corporation	Food Processor/Distributor	500-1,000
Qwest Communications Int. Inc.**	Communications Technology Provider	500-1,000
Ricks College	Higher Education-JC	500-1,000
Rite-Aid Drug Store	Department/Drug Store	500-1,000
Sears Roebuck and Company	Department Store	500-1,000
St. Joseph's Hospital, Inc.	Health Care Provider	500-1,000
The Bon Inc. (Allied Stores)	Department Store	500-1,000
United Parcel Service	Package Deliverer	500-1,000
Walmart/WINCO, Inc.	Food Retailer	500-1,000
Washington Group International***	Construction/Engineering Contractor	500-1,000
Zilog	Semiconductor Devices	500-1,000

Source: Idaho Departments of Commerce & Labor & Human Resources Departments of some firms

*Bechtel B&W Idaho is the prime contractor at INEEL ** Formerly US West Communications ***Formerly Morrison Knutsen

TABLE 18
State of Idaho
Comparison of Idaho and National Average Annual Wage

Calendar Year	Idaho Average Annual Wage	National Average Annual Wage
1987	17,620	22,267
1988	18,337	23,314
1989	18,893	24,070
1990	19,760	25,178
1991	20,556	26,089
1992	21,477	27,466
1993	21,962	27,872
1994	22,723	28,358
1995	23,620	29,224
1996	24,110	30,323
1997	24,812	31,700
1998	25,824	33,300
1999	26,945	34,713
2000	28,455	36,281

Source: Idaho Division of Financial Management, DRI

TABLE 19
State of Idaho
Population Trends
Idaho's Population Base

1987	984,997
1988	985,661
1989	994,422
1990	1,012,000
1991	1,038,915
1992	1,066,490
1993	1,101,204
1994	1,135,459
1995	1,165,000
1996	1,187,706
1997	1,210,638
1998	1,230,923
1999	1,251,700
2000	1,293,953

SOURCE: U.S. Bureau of the Census, Idaho Department of Labor

APPENDIX B

PLAN OF FINANCING

STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2001
PRINCIPAL AMOUNT \$250,000,000

RON G. CRANE, the duly elected, qualified, and acting
Treasurer of the State of Idaho, hereby certifies as follows:

ARTICLE I

DEFINITIONS AND PURPOSE

Section 1.1: DEFINITIONS

As used in this document, the following terms shall have the
following definitions:

Act means Title 63, Chapter 32, Idaho Code, pursuant to
which the Notes are authorized, issued, and sold.

Authenticating and Paying Agent means a national bank doing
business in New York, New York, appointed by the State Treasurer
pursuant to Section 3.5 of this Plan in the event that
Certificated Notes are issued.

Beneficial Owner(s) means the owners or Holders of Notes
whose ownership is recorded through entries on the books of banks
and broker-dealer participants and correspondents that are
related to entries in the Book-Entry-Only System of the
Depository.

Board of Examiners means the State Board of Examiners
created pursuant to Article IV, Section 18, Idaho Constitution,
and Chapter 20, Title 67, Idaho Code.

Book-Entry-Only System means the system of recordation of
ownership of the Notes on the books of the Depository pursuant to
Article III of this Plan.

Certificated Note(s) means a Note or Notes evidenced by a
printed certificate or certificates in the event that the Book-
Entry-Only System is discontinued.

Code means the Internal Revenue Code of 1986, as amended.

Depository means The Depository Trust Company, New York, New
York, its successor corporation, or such other depository as may
subsequently be designated by the Treasurer.

Escrow Agent means U.S. Bank National Association, Salt Lake
City, Utah, as escrow agent for the Note Payment Account

designated pursuant to Section 2.6 of this Plan, and as paying agent for the Notes, so long as the Notes are issued in book-entry-only form, designated pursuant to Section 3.1 of this Plan.

Escrow Agreement means the escrow agreement between the State Treasurer and the Escrow Agent substantially in the form of Exhibit "E" which is annexed hereto and by reference made a part of this Plan.

Fiscal Year means the 2001-2002 fiscal year of the State, commencing on July 1, 2001, and ending on June 30, 2002.

General Fund means the general fund of the State.

General Tax Revenues means income and revenue from taxes, whether specific, ad valorem, excise, income, franchise, or license.

Global Note(s) means the typewritten Note or Notes in the aggregate principal amount of the Notes, dated as of the date of delivery of the Notes, and registered in the name of the Nominee.

Governor means the Governor of the State of Idaho.

Holder or Holders means (i) so long as the Book-Entry-Only System is in effect, the Beneficial Owners, or (ii) in the event that the Book-Entry-Only System is discontinued, the holders of Certificated Notes.

Letter of Representations means the Blanket Issuer Letter of Representations between the State Treasurer and the Depository, relating to the Book-Entry-Only System, substantially as set forth in Exhibit "D" which is annexed hereto and by reference made a part of this Plan.

Nominee means Cede & Co. as nominee for the Depository, or such nominee as the Depository may substitute therefor.

Note Payment Account means the "Tax Anticipation Notes, Series 2001, Note Payment Account" within the Tax Anticipation Note Redemption Fund of the State created by Section 63-3203, Idaho Code, established pursuant to Section 2.6 of this Plan.

Notes means the State of Idaho Tax Anticipation Notes, Series 2001, issued in the principal amount of \$250,000,000.

Official Statement means the disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter, and includes the Preliminary Official Statement.

Participant or Participants means banks and broker-dealer participants and correspondents, including indirect participants, that are related to entries on the Book-Entry-Only System of the Depository.

Plan means this Plan of Financing, dated June 20, 2001, authorizing the issuance, sale, and delivery of the Notes.

Preliminary Official Statement means the preliminary disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter.

Purchase Contract means the Note Purchase Contract, dated June 19, 2001, between the State and the Underwriter, providing for the sale of the Notes, substantially in the form of Exhibit "A" which is annexed hereto and by reference made a part of this Plan.

Secretary of State means the Secretary of State of the State of Idaho.

State means the State of Idaho.

State Controller means the State Controller of the State of Idaho.

State Treasurer means the State Treasurer of the State of Idaho.

Underwriter means Banc of America Securities, LLC, Seattle, Washington.

Section 1.2: PURPOSE

The Notes are being issued pursuant to the Act for the purpose of providing funds for the payment of current expenses in anticipation of the receipt of General Tax Revenues for the Fiscal Year. This document shall constitute the Plan of Financing (the "Plan") of the State Treasurer required pursuant to Section 63-3202(2), Idaho Code, and the order of the State Treasurer required by Section 63-3202(3), Idaho Code, in connection with the issuance, sale, and delivery of the Notes.

ARTICLE II

THE NOTES

Section 2.1: The Notes are to be issued, sold, and delivered in accordance with the Act and the Purchase Contract. The maximum principal amount of Notes which may be outstanding at any one time under this Plan is \$250,000,000. In accordance with the March 13, 2001, approval of the Board of Examiners for the issuance of not to exceed \$1,424,182,500 Tax Anticipation Notes, the State Treasurer reserves the right to file one or more additional Plans of Financing under the authority of the Act during the Fiscal Year.

Section 2.2: The Notes shall be issued in accordance with the Book-Entry-Only System described hereinafter in the form of not more than two typewritten Notes (the "Global Notes") in the aggregate principal amount of \$250,000,000, shall be dated as of

their date of delivery, shall mature on June 28, 2002, shall bear interest from their date at a fixed rate of _____% per annum until paid, calculated on the basis of a thirty-day month and a 360-day year, such interest being payable at maturity, and shall be substantially in the form of the Global Note which is annexed hereto as Exhibit "B" and by reference made a part hereof. The Notes shall not be subject to redemption prior to their stated maturity.

Section 2.3: The Notes shall be issued in anticipation of the General Tax Revenues to be received by the State during the fourth quarter of the Fiscal Year, and the Notes shall be secured by an irrevocable pledge of the income and revenues from the taxes so anticipated. Each Note so issued shall recite that it is a valid and binding obligation of the State, and that the faith and credit of the State is solemnly pledged for the payment of the principal thereof and interest thereon in accordance with its terms and the Constitution and laws of the State.

Section 2.4: The Notes shall be registered prior to their issuance in the office of the State Controller. A legend to that effect shall appear on the Global Notes and, in the event that the Book-Entry-Only System is discontinued, on each Certificated Note.

Section 2.5: The Notes shall be payable in accordance with the provisions of the Book-Entry-Only System as set forth in Article III of this Plan. In the event that the Book-Entry-Only System is discontinued and Certificated Notes are issued, the Notes shall be payable, principal and interest, on their maturity date, at the office of the State Treasurer, at Boise, Idaho, or, at the option of the Holders of the Certificated Notes, at the principal corporate trust office of the Authenticating and Paying Agent, New York, New York, which is hereby designated, pursuant to Section 67-1221, Idaho Code, as alternative fiscal agent for the State and alternative place of payment of principal of and interest on the Certificated Notes.

Section 2.6: There is hereby established within the Tax Anticipation Note Redemption Fund of the State, created by Section 63-3203, Idaho Code, the Tax Anticipation Notes, Series 2001, Note Payment Account (the "Note Payment Account") for the payment of the principal of and interest on the Notes. The Corporate Trust Department of U.S. Bank National Association, Boise, Idaho, is hereby appointed as escrow agent (the "Escrow Agent") in accordance with the Escrow Agreement which is annexed hereto as Exhibit "E" and by reference made a part of this Plan. The Note Payment Account shall be held and invested at the direction of the State Treasurer by the Escrow Agent pursuant to the provisions of the Escrow Agreement.

Section 2.7: The Notes are hereby sold to the Underwriter in accordance with the Purchase Contract, at a purchase price of \$252,600,000 plus accrued interest, if any.

Section 2.8: As provided in Section 63-3202(b), Idaho Code, immediately upon the issuance and sale of the Notes the State

Treasurer shall cause the proceeds of the sale of the Notes to be credited to the General Fund.

ARTICLE III

THE BOOK-ENTRY-ONLY SYSTEM

Section 3.1: The Notes shall initially be issued in the form of fully registered Notes in book-entry-only form (the "Book-Entry-Only System"), with no Notes being made available to Beneficial Owners thereof, as provided in the Letter of Representations between the State Treasurer and the Depository. So long as the Notes are issued in book-entry-only form, the State shall recognize the Depository or its Nominee as the owner of the Notes for all purposes. Beneficial ownership interests in the Notes will be available through Participants in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. By purchasing a beneficial interest therein, a Beneficial Owner shall be deemed to have waived the right to receive a Certificated Note, except as provided hereinafter. Ownership of the Notes shall be recorded through entries on the books of banks and broker-dealer participants and correspondents (the "Participants") that are related to entries on the Book-Entry-Only System of the Depository. The Notes shall be initially issued in the form of not more than two typewritten Notes (the "Global Notes"). The Global Notes shall be executed by the manual signature of the Governor, countersigned by the manual signature of the State Treasurer, and attested by the manual signature of the Secretary of State. The Global Notes shall be registered in the name of the Nominee and, upon payment therefor in accordance with the terms and conditions of the Purchase Contract, including accrued interest, if any, to delivery, shall be lodged with the Depository until maturity of the Notes. The Escrow Agent shall be the paying agent for the Notes. The Escrow Agent shall remit payment for the principal of and interest on the Notes at maturity, in lawful money of the United States, directly to the Depository, so long as Depository or its Nominee is the registered owner of the Notes, for distribution to the Beneficial Owners of the Notes by recorded entry on the books of the Depository.

Section 3.2: With respect to Notes registered in the name of the Nominee, the State shall have no responsibility to any Participant, or to any Beneficial Owner on behalf of which such Participant acts as agent, with respect to:

- (i) the sending of transaction statements, or maintenance, supervision, or review of records of the Depository;
- (ii) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Notes;

- (iii) the delivery to any Participant, the Beneficial Owners, or any other person of any notice with respect to the Notes;
- (iv) the payment to any Participant, Beneficial Owner, or any other person other than the Depository or its Nominee of any amount with respect to principal of or interest on the Notes;
- (v) any consent given or other action taken by the Depository or its Nominee as owner of the Notes.

Section 3.3: The State shall cause to be paid, by the Escrow Agent, as set forth in the Escrow Agreement, on or before the date of maturity of the Notes, all of the principal of and interest on the Notes to the Nominee, and such payment shall be valid and effective fully to satisfy and discharge the State's obligation to any Participant, Beneficial Owner, or other person with respect to payment thereof to the extent of the sum or sums so paid. Transfer of principal and interest payments on the Notes shall be the responsibility of the Depository and its Participants, and the State shall have no liability therefor.

Section 3.4: Upon delivery by the Depository to the State of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Plan shall be deemed to refer to such new nominee.

Section 3.5: (A) In the event that either the State or the Depository shall determine to discontinue the services as set forth in the Letter of Representations, and the State elects not to designate another qualified securities depository to replace the Depository, then the State will discontinue the use of the Book-Entry-Only System and will cause to be issued Certificated Notes to the Beneficial Owners as Holders of the Notes. The Certificated Notes shall be issued in bearer form in the aggregate principal amount of \$250,000,000, shall be dated as of the date of delivery of the Global Notes, shall mature on June 28, 2002, shall bear interest (which shall include interest accrued during the time the Notes were in book-entry-only form) from their date at the same rate as the Global Note, payable at maturity, and shall be substantially in the form of the Note annexed hereto as Exhibit "C."

(B) Certificated Notes shall be executed by the facsimile signature of the Governor, countersigned by the facsimile signature of the State Treasurer, and attested by the facsimile signature of the Secretary of State. The State Treasurer will designate an Authenticating and Paying Agent for the Certificated Notes. Only such Certificated Notes as shall bear thereon a certificate of authentication in the form set forth on Exhibit "C," manually executed by an authorized officer of the Authenticating and Paying Agent, shall be valid for any purpose. Such certificate of authentication shall be conclusive evidence

that the Certificated Notes so authenticated have been duly executed, authenticated, and delivered hereunder and shall be entitled to the benefits of this Plan. The Authenticating and Paying Agent shall be responsible for its representations contained in the certificate of authentication on the Certificated Notes. The Certificated Notes shall be payable in the manner set forth in Section 2.5 hereinabove.

(C) In the event that Certificated Notes are issued, the State shall cause the Beneficial Owners to be notified of the discontinuance of the Book-Entry-Only System, issuance of Certificated Notes, and the appointment of the Authenticating and Paying Agent, and, within fifteen (15) days of the maturity date of the Notes, cause notice of the payment date and place to be published once in a financial journal published in New York, New York.

ARTICLE IV

COVENANTS

Section 4.1: All income and revenues from the taxes specified in Section 2.3 hereof, collected during the fourth quarter of the Fiscal Year (save and except only those revenues required, pursuant to Section 63-3067, Idaho Code, to be deposited into the "State Refund Account" and, pursuant to Section 63-3638, Idaho Code, to be deposited into the "Sales Tax Refund Tax Account"), shall be deposited into the Note Payment Account as received until such time as the moneys and investment earnings accumulated therein shall be fully sufficient to pay the principal of the Notes, and the interest thereon, at maturity. All moneys in the Note Payment Account shall be invested only in the following investments permitted by Section 67-1210, Idaho Code: (i) direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America or any agency thereof, or (ii) fully collateralized time certificates of deposit or fully collateralized repurchase agreements. No moneys in the Note Payment Account shall be invested in obligations permitted under paragraphs (c), (g), (h), or (k) of Section 67-1210, Idaho Code. All moneys in the Note Payment Account shall be invested so as to mature on or before June 28, 2002. Nothing herein shall be deemed as prohibiting the State Treasurer from depositing any income and revenues from taxes received prior to the fourth quarter of the Fiscal Year or other available revenues into the Note Payment Account. In accordance with the Act, the funds so accumulated in the Note Payment Account are pledged, appropriated, and set aside solely for such purpose. Any moneys remaining in the Note Payment Account after payment in full of all principal of and interest on the Notes at maturity shall be transferred to the General Account of the State.

Section 4.2: In the event that there are not on deposit in the Note Payment Account, on or before June 28, 2002, tax revenues fully sufficient, together with investment earnings earned or to be earned prior to the date of maturity of the Notes, to pay the principal of and interest on the Notes at

maturity, then the State Treasurer shall, on or before June 28, 2002 (1) transfer to the Note Payment Account any moneys available, as authorized by Section 67-1212(2)(a), Idaho Code, in an amount sufficient, together with revenues and investment earnings on deposit in the Note Payment Account, to pay the principal of and interest on the Notes at maturity; or (2) take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient, together with all other available revenues and investment earnings, to pay the principal of and interest on the Notes at maturity.

Section 4.3: None of the proceeds of the Notes will be (i) loaned to private persons within the meaning of Section 141(c) of the Code, or (ii) used for any private business use within the meaning of Section 141(b) of the Code. For purposes of the preceding sentence, "private persons" means any person or entity (including the federal government) other than a state or local government unit, and "private business use" means use directly or indirectly in a trade or business carried on by any such private person. Accordingly, the Notes will not be "private activity bonds" within the meaning of Section 141 of the Code. The State will take no action which would cause the Notes to become an item of tax preference for alternative minimum tax purposes.

Section 4.4: The State will comply with the provisions of the Code which are necessary for interest paid on the Notes to be exempt from federal income taxation (except for certain minimum taxes on corporations) and will make no use of the proceeds of the Notes that would result in the interest on the Notes being includable in gross income within the meaning of Section 103(a) of the Code, and in particular will take no action which would cause the Notes to become arbitrage bonds within the meaning of Section 148 of the Code. Prior to the issuance of the Notes, the State Treasurer will execute a Tax Certificate with respect to the Notes, and the State will comply with the provisions thereof.

Section 4.5: The State will calculate its actual cumulative cash flow deficit (within the meaning of Code Section 148(f)(4)(B)(iii)(II)) prior to the maturity of the Notes, and will keep accurate records of all investments of the proceeds of the Notes, including earnings on the proceeds of the Notes, and the expenditure thereof. If by a date which is not later than six months after the date on which the Notes are issued, the actual cumulative cash flow deficit has not equaled or exceeded ninety percent (90%) of the proceeds of the Notes, then (i) the State shall account for the investment of the Gross Proceeds (as described in Section 148(f)(6)(B) of the Code and Section 1.148-1(b) of the Treasury Regulations) of the Notes and make the required arbitrage rebate payments to the federal government from the proceeds of the Notes or from any other legally available source (provided, however, that this obligation shall not be construed as constituting a debt or liability of the State within the meaning of any constitutional or statutory limitation upon the incurrence of the indebtedness by the State) at the times, upon the terms and conditions, and in the manner specified in Section 148(f) of the Code and the Treasury Regulations

promulgated in connection therewith, and (ii) the State shall keep and retain or cause to be kept and retained, until the date six years after the retirement of the last Note, adequate records with respect to the Notes and the investment and expenditure of proceeds thereof to comply with the aforementioned arbitrage rebate requirements, including without limitation a complete list of all investments and reinvestments of Gross Proceeds of the Notes including (a) purchase price of such investments, (b) purchase date, (c) type of security or investment, (d) accrued interest paid on the investment (if any), (e) interest rate (if applicable), (f) dated date (if applicable), (g) principal amount, (h) date of maturity, (i) interest payment dates (if applicable), (j) date of liquidation, (k) amounts received upon liquidation of such investments, and (l) the market value of such security or investment on the date it became Gross Proceeds of the Notes and on the date of the retirement of the last Note if then held by the State.

In addition, the State will not enter into any transaction or cause any transaction to be entered into which reduces the amount which may be required to be paid to the federal government pursuant to the arbitrage rebate requirements specified above, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Notes not been relevant to either party.

The State represents that it is legally authorized to pay rebates to the United States as required by Section 148(f) of the Code, and that its expected cumulative cash flow deficit exceeds ninety percent of the proceeds of the Notes.

Section 4.6: The State will comply with the applicable requirements of Rule 15c2-12(b)(5)(i)(C) of the U.S. Securities and Exchange Commission with respect to the disclosure of certain material events with respect to the Notes, and hereby covenants and agrees with and for the benefit of the Holders of the Notes to provide, in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the state information repository for the State of Idaho, notice of any of the following events with respect to the Notes, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Note Holders; (8) Note calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes; and (11) rating changes. Holders of the Notes may enforce specific performance of the foregoing undertakings by any available judicial proceeding; provided, however, that the failure of the State to perform such undertakings shall not constitute an event of default with respect to the Notes, nor shall any such failure

render the State liable for monetary damages to any Holder or transferee of the Notes.

ARTICLE V

MISCELLANEOUS

Section 5.1: In connection with the public offering of the Notes by the Underwriter, the use of a Preliminary Official Statement and a final Official Statement is hereby authorized. Pursuant to Securities and Exchange Commission Rule 15c2-12, the State deems the Preliminary Official Statement as final as of its date except for the omission of information dependent upon the pricing of the Notes, such as offering price, interest rate, selling compensation, delivery date, or other terms dependent upon the foregoing matters. The State hereby agrees to deliver or cause to be delivered, within seven (7) business days after any final agreement to purchase the Notes copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

Section 5.2: Any notices shall be given as follows: If to the State, to: State Treasurer, State Capitol Building, Boise, Idaho 83720; if to the Underwriter, to: Banc of America Securities, LLC, 800 5th Avenue, Floor 34, Seattle, Washington 98104, Attn: Gerald Braaten; if to the Depository, to: The Depository Trust Company, 55 Water Street, New York, New York 10041; if to the Escrow Agent, to U.S. Bank National Association, Attn: Corporate Trust Department, 15 West South Temple, Suite 200, Salt Lake City, Utah 84101.

Section 5.3: IN WITNESS WHEREOF, I have hereunto subscribed my official signature at Boise, Idaho, as of the 20th day of June, 2001.

Ron G. Crane
State Treasurer

FILED in the Office of the Governor of the State of Idaho
this 20th day of June, 2001.

By _____
Office of the Governor

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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MOORE SMITH BUXTON & TURCKE, CHARTERED

ATTORNEYS AND COUNSELORS AT LAW

225 NORTH 9TH STREET, SUITE 420

BOISE, ID 83702

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JOHN J. MCFADDEN *‡
Of Counsel

* Also admitted in Oregon
‡ Also admitted in Washington
? Also admitted in South Dakota
* Also admitted in New Mexico

July 2, 2001

The Hon. Ron G. Crane
State Treasurer
Statehouse Room 102
Boise, Idaho 83720

Banc of America Securities, LLC
800 5th Avenue, 34th Floor
Seattle, WA 98014

Re: State of Idaho Tax Anticipation Notes, Series 2001,
in the Principal Amount of \$250,000,000.

Dear Mr. Crane, Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the State of Idaho (the "State") of its Tax Anticipation Notes, Series 2001 (the "Notes"), which are dated July 2, 2001, mature on June 28, 2002, bear interest at the rate of three and seven hundred fifty thousandths percent (3.750%) per annum, and are issued in the aggregate principal amount of \$250,000,000.

The Notes have been sold to Banc of America Securities, LLC, pursuant to a Note Purchase Contract dated as of June 19, 2001. We refer you to the Plan of Financing executed on June 20, 2001, pursuant to which the Notes are issued, for a description of the purpose for which the Notes are issued, the security for the Notes, the manner in which the principal of and interest on the Notes are payable, and all other details of the Notes.

We have relied upon the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting

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July 2, 2001

only the matters set forth as our opinion in the Official Statement.

We have examined the Constitution and laws of the State of Idaho, including Title 63, Chapter 32, Idaho Code, and such other laws, proceedings (prepared, in part, by us) relating to the issuance and sale of the Notes, and other documents as we have deemed necessary to render this opinion. This opinion is dated as of the date of issuance and delivery of the Notes.

Based upon our examination, we are of the opinion, under existing law and as of the date hereof:

1. The State has full power and authority under the Constitution and statutes of the State to borrow money for the purposes set forth in the Plan of Financing, to issue and sell the Notes, and to enter into and perform its obligations under the Plan of Financing and the Note Purchase Contract.

2. The Notes have been legally authorized, issued, and sold under and pursuant to the Constitution and laws of the State of Idaho and constitute valid and legally binding obligations of the State, payable from the "Tax Anticipation Notes, Series 2000, Note Payment Account" established by the Plan of Financing within the Tax Anticipation Note Redemption Fund of the State. The faith and credit of the State is pledged for the payment of the principal of and interest on the Notes.

3. The Plan of Financing and the Note Purchase Contract have been duly and validly authorized, executed, and delivered by the State, and, assuming the due and proper authorization, acceptance, and execution by the other parties thereto to the extent applicable, will constitute valid and legally binding obligations of the State, enforceable in accordance with their respective terms.

4. Except as discussed below, the interest on the Notes is excludable from the gross income of the owners for federal income tax purposes. We are further of the opinion that the interest will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the State with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. Under the Code, the State is required to comply with certain requirements subsequent to the issuance of the Notes to maintain the exclusion of interest from gross income for federal income tax purposes, including requirements relating to the application and investment of the proceeds of the Notes and use of facilities financed with such proceeds. The State has covenanted to comply with these requirements, and the opinion expressed in this paragraph 4 hereof assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the State with such requirements; and if the State

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July 2, 2001

should fail to comply with such requirements, the interest on the Notes could become includable in gross income for federal and State of Idaho income tax purposes retroactive to the date of issuance of the Notes.

5. Interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the same extent that such interest is excluded from gross income for purposes of federal income taxation.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences arising with respect to the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the holders of the Notes may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

Our opinion is limited to matters of Idaho law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

MOORE SMITH BUXTON & TURCKE,
CHARTERED

Michael C. Moore